

Tier Ranking System (TRS) II Servicer Narrative



HUD'S NATIONAL SERVICING CENTER (NSC)
Branch 1 Reporting & Analytics

FY2020 Q3 Update

INTRODUCTION

This document and the contents herein are provided for informational purposes and may be subject to change. This document is not intended to substitute or alter requirements and guidelines found in FHA handbooks, mortgagee letters, and other official FHA publications.



This narrative was originally developed to explain to servicers how we look at data and what it shows about compliance with our policies.

We also wanted to make servicers aware of the story they are telling us about how they are servicing.

This narrative keeps the calculations transparent and allows for servicers to recreate the calculations in their shop for self-monitoring. It details the calculations for all four scoring elements, why and how we are looking at these elements, when and from which sources the data comes, suggestions to increase your scores, how to contact us, and much more.

Keep in mind that your business model should not be based on HUD's TRSII or its benchmarks; it should be based on meeting and complying with FHA requirements and policy. You should not program your system to automatically report codes or reject codes based on examples in this document.

All changes are tracked in the revision history at the end of this document.

Table of Contents

INTRODUCTION	1
OVERVIEW AND OBJECTIVES.....	5
SCORES, GRADES, AND TIERS	5
WHO WILL BE SCORED	6
What does it mean to be a Public Scorer?	6
What does it mean to be a Public Provisional Scorer?	7
What does it mean to be a Private Scorer?	7
OPT-OUT OPTION	8
How to Opt-Out.....	8
SCORING PROCESS	9
Element Scoring Process	9
Anticipated Quarterly Availability of Scores	9
INCREASED INCENTIVES	10
PUBLIC AVAILABILITY OF SCORES AND GRADES	10
NOTIFICATION OF TRSII SCORES	11
APPEALS.....	11
SERVICER VERSUS SUBSERVICER VERSUS HOLDER.....	11
CONTACT INFORMATION	12
ELEMENT: FORECLOSURE PREVENTION	13
SCORING STRUCTURE.....	13
DATA SOURCE.....	13
POLICY BASIS FOR ELEMENT	13
BENCHMARKS.....	14
SUGGESTIONS TO INCREASE THE SCORE.....	15
HOW TO CALCULATE FORECLOSURE PREVENTION	15
<i>Data Needed</i>	<i>15</i>
<i>Step 1: Determine Occupancy Points</i>	<i>16</i>
<i>Step 2: Determine the Number of Loss Mitigation Engagement Actions.....</i>	<i>17</i>
<i>Step 3: Determine Episode Points.....</i>	<i>18</i>
<i>Step 4: Determine Foreclosure Initiation Compliance (Formerly MI 2013-40 Compliance)</i>	<i>18</i>
<i>Step 5: Determine CFR 203.606 Compliance.....</i>	<i>20</i>
<i>Step 6: Calculate the Total Points</i>	<i>21</i>
<i>Other Stuff to Know</i>	<i>21</i>
ELEMENT: REDEFAULTS	23

SCORING STRUCTURE.....	23
DATA SOURCE.....	23
POLICY BASIS FOR ELEMENT	23
BENCHMARKS.....	24
SUGGESTIONS TO INCREASE THE SCORE.....	24
HOW TO CALCULATE REDEFAULTS	25
<i>Data Needed</i>	25
<i>Step 1: Start with 60 Points</i>	26
<i>Step 2: Take Away 10 Points for Every Month Redefaulted</i>	26
Step 2 Scenario 1: Is the borrower engaged in COVID-19 loss mitigation? (TEMPORARY).....	26
<i>Step 3: Determine If All Points Lost</i>	27
Step 3 Scenario 1: Back in foreclosure during the evaluation period?	27
Step 3 Scenario 2: Missing SFDMS Reporting?	28
Step 3 Scenario 3: Reason for Default on Your Incentive Claim?	28
<i>Step 4: Calculate the Total Points</i>	28
<i>Other Stuff to Know</i>	29
ELEMENT: SFDMS REPORTING	31
SCORING STRUCTURE.....	31
DATA SOURCE.....	31
POLICY BASIS FOR ELEMENT	31
BENCHMARKS.....	32
SUGGESTIONS TO INCREASE THE SCORE.....	32
HOW TO CALCULATE SFDMS REPORTING	33
<i>Data Needed</i>	33
STEP 1: DETERMINE YOUR TOTAL DEFAULT REPORTING COUNTS – TOTAL REPORTING OCCURRENCES & TOTAL FATAL ERRORS	33
STEP 2: DETERMINE YOUR NUMBER OF DELINQUENT CASES.....	36
STEP 3: DETERMINE YOUR NUMBER OF NEGLECTED DEFAULTS	37
What’s a neglected default?	38
How do I determine if I have any neglected defaults?	38
STEP 4: CALCULATE THE TOTAL SCORE	39
OTHER STUFF TO KNOW	40
ELEMENT: LOSS MITIGATION ENGAGEMENT	41
SCORING STRUCTURE.....	41
DATA SOURCE.....	41
POLICY BASIS FOR ELEMENT	42
BENCHMARKS.....	42
SUGGESTIONS TO INCREASE THE SCORE.....	42
HOW TO CALCULATE LOSS MITIGATION ENGAGEMENT	43
STEP 1: CALCULATE THE CLAIMS WORK-OUT RATIO (WOR).....	43
STEP 2: CALCULATE THE REPORTED ENGAGEMENT RATIO (RER).....	44
STEP 3: CALCULATE THE LOSS MITIGATION ENGAGEMENT SCORE.....	45

Work-Out Ratio Score	45
Reported Engagement Score	45
Best Fit Option	46
EXTRA CREDIT	47
TRAINING EXTRA CREDIT	47
<i>TRAINING EXTRA CREDIT STAFF ATTENDANCE/COMPLETION REQUIREMENTS</i>	47
<i>HOW TO RECEIVE THE TRAINING EXTRA CREDIT</i>	48
ELECTRONIC ACCESS EXTRA CREDIT	48
APPENDIX A: WHERE TO FIND YOUR DATA (<i>BESIDES SFDART</i>)	50
ELEMENT 1: FORECLOSURE PREVENTION	50
ELEMENT 2: REDEFAULTS	50
ELEMENT 3: SFDMS REPORTING.....	50
ELEMENT 4: LOSS MITIGATION ENGAGEMENT	50
APPENDIX B: NEIGHBORHOOD WATCH.....	51
APPENDIX C: NEGLECTED DEFAULTS	54
APPENDIX D: SERVICING TRANSFERS	62
APPENDIX E: SFDART	65
REVISION HISTORY	66

OVERVIEW AND OBJECTIVES

The National Servicing Center's delinquent servicing scoring model, piloted as the Servicer Performance Scorecard (SPS) and now known as the Tier Ranking System II or TRSII, has been created and established to accomplish the following:

- ✓ Determine servicer compliance with HUD/FHA delinquent servicing guidelines and requirements in the areas of early delinquency intervention, loss mitigation engagement quantity and quality, and Single Family Default Monitoring System (SFDMS) reporting.
- ✓ Protect borrowers from servicer non-compliance with HUD/FHA delinquent servicing guidelines and requirements.
- ✓ Alert HUD to potential servicer-specific or industry-wide delinquent servicing issues.

This model utilizes four scoring elements to quantify this compliance:

1. Foreclosure Prevention
2. Redefaults
3. SFDMS Reporting
4. Loss Mitigation Engagement

SCORES, GRADES, AND TIERS

Each scoring element is evaluated separately based on activity for each month in the quarter, then averaged for a quarterly score. Scores for all four elements are then averaged for a score for a given fiscal year (FY) quarter.

Servicers will be provided with a TRSII scorecard each quarter along with a corresponding letter grade and Tier ranking. A grade of "A" will correspond to a Tier 1 ranking, a grade of "B" will correspond to a Tier 2 ranking, a grade of "C" or "D" will both correspond to Tier 3 rankings, and a grade of "F" will correspond to a Tier 4 ranking. Quarterly scores will be averaged to produce a final annual FY score and grade.

Final Fiscal Score	Assigned Grade	Corresponding Tier
90.00% - 100.00+%	A	1
80.00% - 89.99%	B	2
70.00% - 79.99%	C	3
60.00% - 69.99%	D	3
59.99% or Less	F	4

WHO WILL BE SCORED

We calculate scores for everyone. We are scoring all servicers regardless of approval status, servicing approval, and/or delinquent portfolio size. That way, we have your historical performance data, regardless of your company's classification at any given point in time.

We use the scores for internal reviews and metrics. We share these scores with you for informational purposes so that you are aware of what you are telling us and of what we evaluate based on what you are telling us.

However, what else we do with these scores depends on your company's classification. There are three classifications of scorers:

- ☒ Public
- ☒ Public Provisional
- ☒ Private

Below is a discussion about what these categories mean.

You also need to know that we define seriously delinquent as 90 days or more past due, or 3 or more missed payments, or 3 or more payments down.

What does it mean to be a Public Scorer?

Your company's final fiscal year end score will be published on our website. Your company is also eligible for increased incentives associated with achieving Tier 1.

You will receive notice of the scorecard release if we have a valid email address for you. If you aren't receiving these notices and would like to, see obtaining SFDART log in credentials in the [Contact Information](#) section.

You are a Public Scorer if your company meets the following criteria as of the quarter end for all four scoring quarters in the fiscal year:

- ☒ Approved to service Single Family Mortgages;
- ☒ Mortgagee approval status is active; and
- ☒ Servicer of record for a seriously delinquent portfolio of more than twenty-five (25) loans, as reflected in Neighborhood Watch*.

Because scores are to be based upon 12 months of performance, if your company does not meet the above criteria for all four scoring quarters, your company may be re-classified as Public Provisional or Private.

What does it mean to be a Public Provisional Scorer?

Your company's final fiscal year end score may be published on our website. Your company may also be eligible for increased incentives associated with achieving Tier 1.

You will receive notice of the scorecard release if we have a valid email address for you. If you aren't receiving these notices and would like to, see obtaining SFDART log in credentials in the [Contact Information](#) section.

Your company also has the option to Opt-Out of public scoring. Choosing to opt-out determines if your company's scores will be published on our website and your company's eligibility for receiving increased incentives. See the section on the [Opt-Out Option](#) for more information.

Your company also gets the benefit of using the best scoring calculation for the Loss Mitigation Engagement Element, since that element utilizes ratios that may be volatile with a smaller seriously delinquent portfolio. For more information on that, see the Loss Mitigation Element section.

You are a Public Provisional Scorer if your company meets the following criteria as of the quarter end:

- ☒ Approved to service Single Family Mortgages;
- ☒ Mortgagee approval status is active; and
- ☒ Servicer of record for a seriously delinquent portfolio of between five (5) and twenty-five (25), as reflected in Neighborhood Watch*.

Because scores are to be based upon 12 months of performance, if your company does not meet the above criteria for all four scoring quarters, your company may be re-classified as Public or Private.

What does it mean to be a Private Scorer?

Your company's final fiscal year end score will not be published on our website. Your company is not eligible for increased incentives associated with achieving Tier 1.

You will receive notice of the scorecard release if we have a valid email address for you. If you aren't receiving these notices and would like to, see obtaining SFDART log in credentials in the [Contact Information](#) section.

We know that being a small servicer of FHA loans will cause some of your ratios used in these calculations to be volatile, and thus, your scores may be drastically impacted by one loan's performance, good or bad. For this reason, your score doesn't matter

as much to us; what matters is that your company complies with HUD's policy and regulations.

You are a Private Scorer if your company meets one of the following criteria as of the quarter end:

- ✓ Not approved to service Single Family Mortgages;
- ✓ Mortgagee approval status is not active; or
- ✓ Servicer of record for a seriously delinquent portfolio of less than five (5) loans, as reflected in Neighborhood Watch*.

Because scores are to be based upon 12 months of performance, if your company meets the above criteria for even one of the four scoring quarters, your company is classified as Private for the fiscal year's scoring.

You do not need to opt-out. By being classified as a Private Scorer, you are essentially automatically opted out.

OPT-OUT OPTION

Your company may opt out of being publicly scored if your company meets the eligibility criteria for classification as a Public Provisional Scorer.

Your company's seriously delinquent portfolio must be between 5 and 25 loans as reflected in Neighborhood Watch* as of the date you make the request.

It is up to you to determine if your company qualifies to opt-out and to make the request. We will validate and confirm the request upon submission if you do qualify to opt-out. This confirmation is notice of HUD's determination that your company will be unranked in public records.

If you choose to opt-out, your company will not be eligible for increased incentives even if you achieve Tier 1 for the final fiscal year end score.

How to Opt-Out

A servicer may choose to opt-out if it is servicing a seriously delinquent portfolio of between 5 and 25 loans and does not qualify as a Private Scorer. Your seriously delinquent portfolio total for the current month can be found in Neighborhood Watch. If that number as reflected in Neighborhood Watch* is less than 25 seriously delinquent loans as of the date the request is made to opt-out, we will confirm your request.

To exercise its option to opt-out, a servicer must

- ✓ Submit the request via email to sfdatarequests@hud.gov no later than October 31. Please enter "TRSII Opt-Out" in the subject line and include your company's 5-digit HUD Lender ID. We are working on this functionality in SFDART, so we may let you know you can make the request there if it becomes available.
- ✓ Receive a confirmation email that your company has opted-out for the scoring for the fiscal year.

Please be advised that opting out for one fiscal year of scoring does not carry over to the next. If you have the option available the next year, you will need to submit another request, and then have it verified, and confirmed.

SCORING PROCESS

Our systems take some time to refresh, particularly those involving SFDMS reporting data, and therefore, scores will not be immediately available at the quarter close. You should expect anywhere from about four to six weeks before receiving notification of the availability of your scores from the previous quarter.

Fiscal year end final scores may take a bit longer due to final reviews and approvals.

Element Scoring Process

- ✓ Foreclosure Prevention and Redefaults: Case level scores are averaged for a monthly score. Monthly scores are averaged for each quarter. Yearly scores are the average of the four quarters.
- ✓ SFDMS Reporting and Loss Mitigation Engagement: Ratios for each month are averaged for each quarter. Yearly scores are the average of the four quarters.

Anticipated Quarterly Availability of Scores

For updates on availability, please email sfdatarequests@hud.gov and see the "Announcements & Updates" section at the top of the email you receive back.

Quarter	Includes Months	Anticipated Availability
Quarter 1	October, November, & December	On Or Around February Month End
Quarter 2	January, February, & March	On Or Around May Month End
Quarter 3	April, May, & June	On Or Around August Month End
Quarter 4	July, August, & September	Around Mid-December

INCREASED INCENTIVES

Per HUD Handbook 4000.1.V.C.2.c - Servicer Tier Ranking System II, this scoring model will be used to determine those servicers that may qualify for increased incentive payments; those servicers earning an "A" and are therefore a Tier 1 at the end of quarter 4 for HUD's fiscal year are eligible for those increased incentives for the next calendar year.

Presently, these increased incentives are as follows:

1. An additional \$100 payment for each Special Forbearance Agreement executed on or after January 1 of the next calendar year.
2. An automatic (i.e., HUD's written approval is not required) extension of two additional months to continue to market their properties being sold via Preforeclosure Sale for a total of six (6) months.
3. An increase in the reimbursement of foreclosure costs from two-thirds to 75% for Part B claims received by HUD on or after January of the next calendar year, for loans endorsed on or after February 1, 1998. This is based on the date we receive the claim that is ultimately paid.

The original Tier Ranking System (TRS) evaluated activity for a rolling 12-month period. The cut-off for each evaluation period or "round" was the end of each fiscal year quarter. The incentive round occurred every fourth round. In this manner, the incentive round for TRS evaluated activity that occurred from October of the previous year through September of the current year, which is HUD's fiscal year.

TRSII is similar in that the fourth quarter of our fiscal year signifies the end of the performance evaluation period. All four quarters' scores, and thus 12 months of performance, will be used to determine those servicers that may qualify for increased incentives for the following calendar year and will be issued after the conclusion of the fourth quarter.

Exercising your option to opt-out, should you have one, will impact the possibility of receiving increased incentives. For more information, see the opt-out section.

PUBLIC AVAILABILITY OF SCORES AND GRADES

All servicers classified as Public Scorers and Public Provisional Scorers that have not opted-out may have their names and scores published on HUD's Tier Ranking System page on HUD.gov at the end of each calendar year.

This will occur after final scores are issued and the appeal window closes, after all appeals have been evaluated, and after servicers that have submitted appeals have been notified of the results. No scores will be publicly available until that time.

Exercising your option to opt-out, should you have one, will impact the public availability of your score. For more information, see the [Opt-Out Option](#) section.

NOTIFICATION OF TRSII SCORES

You will receive an email notifying you that new quarterly TRSII scores are available after the conclusion of each fiscal year quarter.

To receive notice and communications about your company's TRSII scorecard, your company should provide us with at least one valid email address to which to send notifications regarding the TRSII scorecards.

If your company is classified as a Public Scorer or Public Provisional Scorer and we do not have at least one valid email address provided specifically by your company, we will use the one provided as your administrative point of contact in LEAP.

If your company is classified as a Private Scorer, we will not attempt to send you notice of your scores unless you provide us with a valid email address.

See [Contact Information](#) for how to provide us with an email addresses or to make changes to your existing list of email distribution list.

APPEALS

Servicers receiving a grade of "F" Tier 4 may appeal their final score within 30 calendar days after the issue date of the final fiscal year grade. They may appeal their grade to the Deputy Assistant Secretary for Single Family or the Deputy Assistant Secretary's designee and request an informal HUD conference.

The only basis for appeal by the servicer receiving an "F" Tier 4 is disagreement with the data used by HUD to calculate the servicer's grade. If HUD determines that the servicer's "F" grade Tier 4 rating was based on incorrect or incomplete data, the servicer's performance will be recalculated and the servicer will receive a corrected score.

SERVICER VERSUS SUBSERVICER VERSUS HOLDER

For the purposes of quantifying delinquent servicing effectiveness, the servicer of record is the entity that is scored.

This is the entity interacting with the borrower and making the decisions regarding the delinquency process. If your company has a subservicer relationship/agreement with a company that owns the servicing rights to the loan, HUD still considers your company to be the servicer of record if your company does the following:

- ✓ Collects payments from the borrower, and
- ✓ Disburses taxes and insurance, and
- ✓ Remits MIP. In fact, if your company remits the MIP under your company's HUD Lender ID, your company will be automatically listed as the servicer of record.

If a company performs only the default servicing, default reporting, and/or claim filing, etc., that company should be doing the activity under the servicer of record's ID and not their own.

Owning the servicing rights does not make the company the servicer of record. If a company owns the servicing rights but performs no actual servicing activities, that company may be listed as the holder of record if that company wishes to receive claim payments. Otherwise, this company has no relation to the case as far as HUD is concerned.

As the servicer of record, you are responsible for the case, regardless of who is doing the activity. For this reason, it is extremely important that you reconcile your portfolio and complete Mortgage Record Changes (MRCs) timely and successfully.

CONTACT INFORMATION

WHAT DO YOU NEED?	ACTION TO TAKE
SFDART INFORMATION	See Appendix E
COPY OF YOUR COMPANY'S TRSII SCORECARD	Log in to SFDART
YOUR COMPANY'S CASE LEVEL DATA	Log in to SFDART
EXTRA CREDIT	Follow the instructions in the Extra Credit Section.
OTHER QUESTIONS OR COMMENTS	Email sfdatarequests@hud.gov & include your 5-digit HUD Lender ID.
SEND A HARD COPY LETTER	Hard copy letters can be sent to the Department of Housing and Urban Development, ATTN: NSC Branch 1, TRSII, 301 NW 6 th Street, Suite 200, Oklahoma City, OK 73102-2807.

Element: Foreclosure Prevention

Evaluate a servicer's foreclosure initiation actions, timeframes, and intervention practices. This is achieved by reviewing all cases in which a new first legal action was reported during a default episode and all the reported intervention activities that occurred before the first legal within that default episode. Intervention activities are examined since this is the only way a servicer can actively attempt to prevent a foreclosure.

Accelerating the foreclosure process makes it more difficult for the borrower to participate in any loss mitigation and to bring his/her loan current.

While we still expect timeframes to be met for filing the first legal, this element is scored on the timeliness of foreclosure initiation and the attempts at intervention prior to the action as well as compliance with regulations and policy.

SCORING STRUCTURE

The scoring structure has been designed so that points can be earned in different ways including initiating foreclosure in accordance with CFR, attempting various loss mitigation tools, reporting a borrower as ineligible for loss mitigation, vacancy, multiple default episodes, and initiation of foreclosure after possible loss mitigation options are exhausted.

DATA SOURCE

All data comes from SFDMS Reporting. You will need to use your own servicing histories and SFDMS reports to calculate your scores if you are self-monitoring.

POLICY BASIS FOR ELEMENT

24 CFR 203.606 states that a servicer should not initiate foreclosure until at least three full monthly installments are past due after the application of any partial payments, unless there is a qualifying exception that allows for acceleration of the foreclosure process. These exceptions are:

- (1) The mortgaged property has been abandoned, or has been vacant for more than 60 days.

- (2) The borrower, after being clearly advised of the options available for relief, has clearly stated in writing that he or she has no intention of fulfilling his or her obligation under the mortgage.
- (3) The mortgaged property is not the borrower's principal residence and it is occupied by tenants who are paying rent, but the rental income is not being applied to the mortgage debt.
- (4) The property is owned by a corporation or partnership.

24 CFR 203.355 states that a servicer should initiate foreclosure within 6 months from the date of default.

HUD Handbook 4000.1.III.A.2.r.(c) When to Initiate Foreclosure states that after at least three consecutive full monthly payments are due but unpaid, a servicer may initiate foreclosure if one of the following conditions is met:

- ✓ The servicer has completed its review of the loss mitigation request, determined that the borrower does not qualify for a Loss Mitigation Option, properly notified the borrower of this decision, and rejected any available appeal by the borrower.
- ✓ The borrower has failed to perform under an agreement on a Loss Mitigation Option, and the servicer has determined that the borrower is ineligible for other Loss Mitigation Options.
- ✓ The servicer has been unable to make a determination of the borrower's eligibility for any Loss Mitigation Option due to the borrower not responding to efforts to contact the borrower.

BENCHMARKS

Grades are assigned based upon a 10-point scale.

Foreclosure Prevention %	Assigned Grade
90% -100%	A
80% -89%	B
70% -79%	C
60% - 69%	D
Less than 60%	F

SUGGESTIONS TO INCREASE THE SCORE

- ✓ Report correctly, including occupancy status codes, default status dates, and oldest unpaid installment dates, particularly if the oldest unpaid installment date was advanced during the month the first legal action was taken and/or reported.
- ✓ Do not early report. Make sure you report during the first five business days of the month the status of the loan as of the last day of the previous month.
- ✓ Do more loss mitigation and report it.
- ✓ Utilize auto-extensions and do not initiate foreclosure to meet a non-extended deadline if the borrower is in loss mitigation.
- ✓ Report AQs properly to signify the failure of an attempted loss mitigation action.
- ✓ Do not report Unable to Determine Occupancy/Unknown as the occupancy status code unless absolutely necessary and appropriate. Systems should not be defaulted to report this.

HOW TO CALCULATE FORECLOSURE PREVENTION

Data Needed

Determine your list of cases with reported first legal actions (default status code 68) for the first time within a default episode for the current scoring month.

Quarter	Scoring Month	First Time in Episode First Legal Filed Default Status Code 68 Reported for Cycle	Also Need Data For
Q1	October	10/31 of current year	<ul style="list-style-type: none"> • Number of months delinquent as of the status code 68 • Occupancy status code and occupancy status date reported as of the status code 68 • Default status date reported with the status code 68
	November	11/30 of current year	
	December	12/31 of current year	
Q2	January	1/31 of current year	
	February	2/28 (2/29) of current year	
	March	3/31 of current year	
Q3	April	4/30 of current year	
	May	5/31 of current year	
	June	6/30 of current year	
Q4	July	7/31 of current year	
	August	8/31 of current year	
	September	9/30 of current year	

Also, determine the following data points reported with the status code 68, which should be readily available to you via your SFDMS reporting files:

- ✓ Occupancy status code
- ✓ Occupancy status date
- ✓ Default status date
- ✓ Number of months delinquent
- ✓ Episode number of reported first legal evaluated (or at least know if it is episode 1 or not)
- ✓ Loss mitigation and ineligible for loss mitigation actions reported before the first legal initiation in the default episode.



Regardless if you report the status code 68 multiple times in the default episode or if it becomes necessary to restart the foreclosure after an interruption such as bankruptcy or to amend a complaint, only the first 68 reported within a default episode triggers the evaluation for this element.

Reporting Period	OUI Date	# Months Delinquent	Delinquent Status	Delinquent Status Definition
6/2016	02/01/16	5	AO	Ineligible for Loss Mitigation
7/2016	02/01/16	6	68	First Legal Action to Commence Foreclosure
8/2016	02/01/16	7	68	First Legal Action to Commence Foreclosure
9/2016	02/01/16	8	68	First Legal Action to Commence Foreclosure
10/2016	02/01/16	9	68	First Legal Action to Commence Foreclosure

Only the first reporting in the episode triggers the evaluation.

Step 1: Determine Occupancy Points

If the borrower is not occupying the property, we know your loss mitigation engagement options are more limited. Additionally, if the property is known to be vacant as of the date of default, you most likely need to accelerate the foreclosure initiation timeline. For these reasons, we adjust the points available accordingly.

Review the occupancy status code and occupancy status date reported with the first time in episode status code 68 and determine the cases that were non-borrower occupied at the time of the foreclosure initiation.

A non-borrower occupancy is a reported occupancy status code of

- ✓ Occupied by Renter/Tenant
- ✓ Known to be Vacant
- ✓ Adverse Occupant

Using the table below which is based on a sliding scale, assess points for the number of months delinquent as of the first legal action and assess additional points for non-borrower occupancy if reported with the new first legal action.

Months Delinquent at 68	Months Delinquent Points	Non-Borrower Occupancy Points	Total Points Available for Months Delinquent & Non-Borrower Occupancy
0	0	0	0
1	0	80	80
2	0	80	80
3	60	20	80
4	65	15	80
5	70	10	80
6	75	5	80
7	78	2	80
8 and up	80	0	80



Reporting Unable to Determine Occupancy/Unknown is not considered to be non-borrower occupied.

Step 2: Determine the Number of Loss Mitigation Engagement Actions

Determine which cases had any of the following codes reported between the opening of the default episode and the reported first legal action.

- ✓ Multiple reporting of the same code only gets counted one time.
- ✓ Each reported loss mitigation action gets five points.

★ Military Indulgence (32)

- ★ Borrower Program Assistance Received (78)
- ★ Promise to Pay (11)
- ★ Complete Financials Received and In Review (AA)
- ★ Streamlined Financials Received and in Review (AH)
- ★ Repayment Plan (12)
- ★ Formal Forbearance (06)
- ★ Special Forbearance (09)
- ★ Trial Payment Plan (08)
- ★ Partial Claim Started (10)
- ★ Modification Started (28)
- ★ Combination Partial Claim/Modification Started (Non FHA-HAMP) (53)
- ★ FHA-HAMP Trial Plan (39)
- ★ FHA-HAMP Standalone Partial Claim Started (36)
- ★ FHA-HAMP Standalone Modification Stated (37)
- ★ FHA-HAMP Modification Started (41)
- ★ Prequalified for 601 (3B)
- ★ Preforeclosure Acceptance Plan Available (15)
- ★ Deed-in-Lieu Started (44)
- ★ Option Failure (AQ)
- ★ Ineligible for Loss Mitigation (AO)
- ★ Ineligible for Loss Mitigation Due to No Response (AP)

Step 3: Determine Episode Points

Determine which cases had the first time in episode 68 reported in an episode other than the first episode. If the foreclosure was not initiated in episode one, this gets five points.

You do not need to know how many total episodes there have been. You only need to know if it is the first one or not.

Step 4: Determine Foreclosure Initiation Compliance (Formerly MI 2013-40 Compliance)

If a case is found to be actively in loss mitigation and the servicer reports that the first legal has been filed while there is active loss mitigation, these foreclosure actions are considered to be inappropriately initiated, and the points will automatically be zero.

How do we figure this out?

First, let's define what an appropriately initiated foreclosure action is. If the case fits into any of the following scenarios, we consider these cases not to be actively in loss mitigation when the foreclosure action was initiated:

- ✓ No loss mitigation was reported at all prior to the first time in episode 68.
- ✓ The last loss mitigation code reported prior to the first time in episode 68 is an Option Failure (AQ), Ineligible for Loss Mitigation (AO), Ineligible for Loss Mitigation Due to No Response (AP), Promise to Pay (11), or Prequalified for 601 (3B).
- ✓ The first time in episode 68 was reported 2 or more months after the last loss mitigation code reported.
- ✓ The first legal filing date reported with the first time in episode 68 (i.e. the default status date) is earlier than the default cycle date of the last reported loss mitigation code.



Servicers are reminded to request an extension of the first legal deadline for any delay in which an automatic extension is not allowed or if additional time is needed after an automatic extension has already been taken.

Based on what is appropriate initiation regarding the loss mitigation process, we can now define the indicators of inappropriate initiation, which are detailed below. All indicators of inappropriate initiation must be met to be counted as such.

Step 4 Indicator 1 of Inappropriate Initiation

The default cycle date of the last loss mitigation code reporting occurrence is either the same as the default cycle date or the prior default cycle date as the first time in episode 68 default cycle date.

The last loss mitigation code reporting occurrence is one of the following codes:

- ⚠ Formal Forbearance (06)
- ⚠ Trial Payment Plan (08)

- ⚠ Special Forbearance (09)
- ⚠ Partial Claim Started (10)
- ⚠ Modification Started (28)
- ⚠ Preforeclosure Acceptance Plan Available (15)
- ⚠ FHA-HAMP Trial Plan (39)
- ⚠ FHA-HAMP Standalone Partial Claim Started (36)
- ⚠ FHA-HAMP Standalone Modification Stated (37)
- ⚠ FHA-HAMP Modification Started (41)
- ⚠ Military Indulgence (32)
- ⚠ Borrower Assistance (78)
- ⚠ Repayment Plan (12)
- ⚠ Deed-in-Lieu Started (44)
- ⚠ Financials Received (AA)
- ⚠ Streamlined Financials Received (AH)

Step 4 Indicator 2 of Inappropriate Initiation

If the first legal filing date reported with the first time in episode 68 (i.e. the default status date) is after the default cycle date of the last lost mitigation code reported, this will be classified as foreclosure inappropriately initiated.

Step 5: Determine CFR 203.606 Compliance

If a case is found to have foreclosure initiated earlier than provided for in CFR, these foreclosure actions will be considered to be non-compliant with CFR and the points will automatically be zero.

How do we figure this out?

Again, let's define what a compliant initiation action is. If the case fits into any of the following scenarios, we consider these foreclosure actions as compliant with CFR:

- ✓ Foreclosure was reported as initiated when the months past due was at least 3.
- ✓ Foreclosure was reported as initiated on a vacant property when the months past due was less than 3 and the first-time vacancy date (occupancy status date with a reported occupancy status code 3) was 60 days or more before the first legal was filed.

- ✓ Foreclosure was reported as initiated when the months past due was less than 3, and it had been previously reported within that default episode that the borrower was ineligible for loss mitigation (AO).
- ✓ Foreclosure was reported as initiated on a renter occupied property regardless of the months past due.

Therefore, non-compliance with CFR 203.603 would be considered as:

- ✓ Foreclosure initiation before a case is reported as at least 3 months past due, **and**
- ✓ The property is occupied, **and**
- ✓ The borrower has not declined loss mitigation.

Step 6: Calculate the Total Points

Add together the following:

- + Occupancy points (1) – maximum of 80
- + Number of loss mitigation engagement actions (2) – 5 points each
- + Episode points (3) – 5 points if not episode 1
- Policy compliance with foreclosure initiation and loss mitigation – if non-compliant total points are automatically zero
- Compliance with CFR 203.606 in foreclosure initiation – if non-compliant, total points are automatically zero
- ÷ Divide the total points by 100.
- = The resulting percentage is the score for the case.

All cases' scores are averaged for the month, which in turn are averaged for the quarter.

Other Stuff to Know

Points per case are capped at 100. Regardless of how many actions you have reported, you cannot earn more than 100 points per case.

Foreclosure Prevention Calculation Example

Reporting Period	OUI Date	# Months Delinquent	Delinquent Status	Delinquent Status Definition
8/2012	08/01/12	1	42	Delinquent
9/2012	09/01/12	1	42	Delinquent
10/2012	09/01/12	2	42	Delinquent
11/2012	09/01/12	3	42	Delinquent
12/2012	10/01/12	3	42	Delinquent
1/2013	10/01/12	4	42	Delinquent
2/2013	10/01/12	5	AP	Ineligible for Loss Mitigation Due to No Response
3/2013	10/01/12	6	68	First Legal Action to Commence Foreclosure
4/2013	10/01/12	7	AA	Complete Financials Received and In Review
5/2013	10/01/12	8	39	FHA-HAMP Trial Modification Plan
6/2013	10/01/12	9	39	FHA-HAMP Trial Modification Plan
6/2013	12/01/12	7	39	FHA-HAMP Trial Modification Plan
7/2013	01/01/13	7	41	FHA-HAMP Modification/Partial Claim Started
8/2013	08/01/13	0	98	Reinstated After Loss Mitigation Intervention
2/2015	12/01/14	1	42	Delinquent
3/2015	01/01/15	2	42	Delinquent
4/2015	02/01/15	3	AA	Complete Financials Received and In Review
5/2015	03/01/15	3	39	FHA-HAMP Trial Modification Plan
6/2015	03/01/15	4	39	FHA-HAMP Trial Modification Plan
7/2015	03/01/15	5	39	FHA-HAMP Trial Modification Plan
8/2015	06/01/15	3	41	FHA-HAMP Modification/Partial Claim Started
9/2015	12/01/15	0	98	Reinstated After Loss Mitigation Intervention
10/2015	10/01/15	1	42	Delinquent
11/2015	10/01/15	2	42	Delinquent
12/2015	11/01/15	2	42	Delinquent
1/2016	11/01/15	3	42	Delinquent
2/2016	01/01/16	2	42	Delinquent
3/2016	02/01/16	2	67	Chapter 13 Bankruptcy
4/2016	02/01/16	3	67	Chapter 13 Bankruptcy
5/2016	02/01/16	4	67	Chapter 13 Bankruptcy
6/2016	02/01/16	5	67	Chapter 13 Bankruptcy
7/2016	02/01/16	5	69	Bankruptcy Plan Confirmation
7/2016	02/01/16	6	76	Bankruptcy Court Clearance
8/2016	04/01/16	5	76	Bankruptcy Court Clearance
9/2016	04/01/16	6	AP	Ineligible for Loss Mitigation Due to No Response
10/2016	04/01/16	7	68	First Legal Action to Commence Foreclosure

Episode #	3
68 Reported	10/31/2016
Default Status Date	10/15/2016
Occupancy Status Code	1
Occupancy Status Date	
Months Delinquent	7
AP Last Reported	9/30/2016
Last Loss Mit Code Reported	AP
Months Last LM Code to 68	1
203.606 Compliance	Compliant
LM & FC Initiation Evaluation	Appropriate
Loss Mit Actions	1
Action Points	5
Month Points	78
Non-Borrower Occupancy Points	0
Episode Points	5
Score	88%

Element: Redefaults

Evaluate and score the performance of cases after a mortgage modification or partial claim is utilized to reinstate the loan.

Combination tools are evaluated based on their individual components. If you did a combo FHA-HAMP, each claim is evaluated separately as is a combo partial claim/modification that is non FHA HAMP.

Mortgage modifications and partial claims reinstate the loan, and the incentive claims with HUD are to be filed within 60 days of the execution date of the mortgage modification or of the subordinate lien to HUD.

The performance period begins the month after the incentive claim is processed or after the new first installment date of a non-incentivized modification and ends after six months. The number of times a case is reported 90 days or more delinquent is counted for the six-month evaluation period.

SCORING STRUCTURE

The scoring structure has been designed so that each case is given full points to start and then points are taken away based upon redefault occurrences as well as if the case goes into foreclosure during the evaluation period.

DATA SOURCE

Loan Modification and Partial Claim incentive claims filed, non-incentivized modifications reported in FHA Connection, and SFDMS Reporting. You will need to use your own servicing histories and SFDMS reports to calculate your scores if you are self-monitoring.

POLICY BASIS FOR ELEMENT

HUD Handbook 4000.1.III.A.2.k.vi – FHA-HAMP discusses the use of a Loan Modification and/or Partial Claim to allow the mortgage to be reinstated, by establishing an affordable monthly payment, and providing for principal deferment as needed. A Partial Claim is our reimbursement of funds in an amount necessary to assist in reinstating the delinquency under the FHA-HAMP.

HUD Handbook 4000.1.III.A.2.k.v – Loan Modification discusses non-incentivized Loan Modifications and reporting the terms in FHA Connection.

When a Loan Modification and/or Partial Claim is utilized, to be in compliance with our policy, we expect the following:

- ✓ The servicer has appropriately reviewed the borrower's financials and the borrower's continued ability to make his/her mortgage payments, and
- ✓ The tool will fully reinstate the loan.

We know that not every borrower will stay current for six months or longer after the tool is utilized; events beyond the borrower's and/or the servicer's control can happen. However, if the case was properly reviewed for the loss mitigation tool prior to its utilization, and if the servicer properly performs early delinquency intervention once a case becomes delinquent again, the impact of these redefaults on a servicer's score will be minimal.

BENCHMARKS

Grades are assigned based upon a 10-point scale.

Redefault Average Score %	Assigned Grade
90% -100%	A
80% -89%	B
70% -79%	C
60% - 69%	D
Less than 60%	F

SUGGESTIONS TO INCREASE THE SCORE

- ✓ File the incentive claim as close to the actual reported reinstatement as possible. The clock for the evaluation period does not begin until the claim is processed.
- ✓ Make sure the loan is completely reinstated by the loss mitigation tool, and report the reinstatement correctly in SFDMS.
- ✓ Utilize the trial payment plans according to policy.
- ✓ Perform loan modifications in accordance with policy.
- ✓ Enter your non-incentivized loan modifications into FHA Connection timely with correct information.

- ✓ Once a loan goes delinquent, intervene and do not let the loan get 90 days down again.

HOW TO CALCULATE REDEFAULTS

Data Needed

List of incentive cases processed during the scoring month in the schedule below.

Non-incentivized loan modifications entered into FHA Connection with a new first installment date during the scoring month in the schedule below.

Also, determine the following data points, which should be readily available to you via your SFDMS reporting files:

- ✓ If the case was reported or not in SFDMS in the 3 months prior to the claim receipt.
- ✓ Number of times in the following 6 months the case becomes seriously delinquent.
- ✓ If the case goes into the foreclosure process in the following 6 months.

Quarter	Scoring Month	Claim Processed From	Claim Processed To	Review Month 1	Review Month 2	Review Month 3	Review Month 4	Review Month 5	Review Month 6
Q1	October	4/1	4/30	5/31	6/30	7/31	8/31	9/30	10/31
	November	5/1	5/31	6/30	7/31	8/31	9/30	10/31	11/30
	December	6/1	6/30	7/31	8/31	9/30	10/31	11/30	12/31
Q2	January	7/1	7/31	8/31	9/30	10/31	11/30	12/31	1/31
	February	8/1	8/31	9/30	10/31	11/30	12/31	1/31	2/28
	March	9/1	9/30	10/31	11/30	12/31	1/31	2/28	3/31
Q3	April	10/1	10/31	11/30	12/31	1/31	2/28	3/31	4/30
	May	11/1	11/30	12/31	1/31	2/28	3/31	4/30	5/31
	June	12/1	12/31	1/31	2/28	3/31	4/30	5/31	6/30
Q4	July	1/1	1/31	2/28	3/31	4/30	5/31	6/30	7/31
	August	2/1	2/28	3/31	4/30	5/31	6/30	7/31	8/31
	September	3/1	3/31	4/30	5/31	6/30	7/31	8/31	9/30



Last in wins – a case is only counted once per month, and it is the last code that is reported and accepted that determines its status and delinquency.

Step 1: Start with 60 Points

Each loan modification claim, partial claim, and non-incentivized loan modification starts with 60 points.

Step 2: Take Away 10 Points for Every Month Redefaulted

Every time a case goes 90 days down or more during the evaluation period, that claim loses 10 points. Refer to the schedule to determine the evaluation period based on the claim process date or the new first payment date for a non-incentivized modification.

Step 2 Scenario 1: Is the borrower engaged in COVID-19 loss mitigation?

Starting with Q3 cases to be scored, those reported as follows will not lose 10 points even though a redefault is indicated.

For the 3/31/2020 reporting cycle, cases reported as on forbearance with one of the following codes:

- ★ Formal Forbearance Plan (06)
- ★ Special Forbearance (09)
- ★ Repayment/Informal Forbearance Plan (12)

For the 4/30/2020, 5/31/2020, and 6/30/2020 reporting cycles, cases reported on COVID-19 loss mitigation signified by the following codes:

- ★ Formal Forbearance Plan (06) with a default reason code of Related to National Emergency Declaration (055), Neighborhood Problem (010), or Unemployment (016).
- ★ Partial Claim Started (10) with a default reason code of Related to National Emergency Declaration (055), Neighborhood Problem (010).

For the 7/31/2020 reporting cycle going forward, cases reported as on forbearance with one of the following codes:

- ★ Formal Forbearance Plan (06) with a default reason code of Related to National Emergency Declaration (055) or Unemployment (016).
- ★ Partial Claim Started (10) with a default reason code of Related to National Emergency Declaration (055).
- ★ Modification Started (28) with a default reason code of Related to National Emergency Declaration (055).
- ★ Combination Partial Claim/Modification Started (Non FHA-HAMP) (53) with a default reason code of Related to National Emergency Declaration (055).
- ★ FHA-HAMP Modification/Partial Claim Started (41) with a default reason code of Related to National Emergency Declaration (055).
- ★ Preforeclosure Acceptance Plan Available (15) with a default reason code of Related to National Emergency Declaration (055).
- ★ Deed-in-Lieu Started (44) with a default reason code of Related to National Emergency Declaration (055).
- ★ Streamlined Financials Received and In Review (AH) with a default reason code of Related to National Emergency Declaration (055).

Step 3: Determine If All Points Lost

There are certain scenarios in which we don't believe the case should receive any points at all. These are serious situations and are usually indicative of bad SFDMS reporting, bad underwriting of the loss mitigation tool, or both.

Step 3 Scenario 1: Back in foreclosure during the evaluation period?

Because the evaluation period runs 6 months from the claim processed month and because the first legal deadline is 6 months from the date of default (which is 60 days from the last payment made), reporting the case as in any part of the foreclosure process during evaluation period should generally not be occurring.

If the case is reported in SFDMS as in any part of the foreclosure process during the 6-month evaluation period, that case loses all 60 points.

For these purposes, the following default codes are considered to be part of the foreclosure process:

- ⚠ State Mandatory Delay &/or Mediation (95)
- ⚠ Federal Law Mandated Delay &/or Mediation (96)

- ⚠ First Legal Action to Commence Foreclosure (68)
- ⚠ Contested Foreclosure (33)
- ⚠ Foreclosure Sale Held (1A)
- ⚠ Eviction Started (1E)
- ⚠ Property Conveyed to Insurer (46)
- ⚠ Claim without Conveyance of Title (48)
- ⚠ Third Party Sale (30)
- ⚠ Property Redeemed (73)

Step 3 Scenario 2: Missing SFDMS Reporting?

If your SFDMS reporting doesn't seem to match up with the modification or partial claim, then we can't rely on your SFDMS reporting for that case to properly advise as to the status during the evaluation period. That case loses all 60 points.

- ⚠ If the last SFDMS reporting for a case was more than 90 days before the incentive claim was received, that case gets 0 points, or
- ⚠ If no default reporting ever occurred, that case gets 0 points.



Missing SFDMS Reporting does not apply to non-incentivized loan modifications, as they may have been recasts of current loans. Additionally, this does not apply to partial claim incentive claims for which no administration fee was paid.

Step 3 Scenario 3: Reason for Default on Your Incentive Claim?

Effective FY21 Q1, which will be for claims filed beginning on April 1, 20120, if you report the reason for default on your incentive claim to be 031 Unable to Contact Borrower, that case loses all 60 points.

Step 4: Calculate the Total Points

Add together the following:

- + Start with 60 points for each claim and non-incentivized modification.
- Subtract 10 points for every time the case goes 90 days down or more.

- Subtract all points if the case is in foreclosure.
- Subtract all points if there is no reliable SFDMS reporting.
- ÷ Take the above point total and divide by 60.
- = The resulting percentage is the score.

All cases' scores are averaged for the month, which in turn are averaged for the quarter.

Other Stuff to Know

You can't earn less than zero for a claim. If your case was back in foreclosure and reported as 90 days down or more for all 6 months, the points for that claim are zero.

Redefault Calculation Example 1

In the example below, this case would score an 83% which is 50 points (60 points – 10 points for one redefault) divided by 60 points.

Form Type	Date Received	Date Prepared	Date Processed	Claim Type
A	09/29/11	09/29/11	09/30/11	32 - Loan Modification

Date processed event triggered evaluation; You can see it here.

8/2011	06/01/11	3	28	Modification Started
9/2011	06/01/11	4	28	Modification Started
9/2011	11/01/11	0	98	Reinstated After Loss Mitigation Intervent
12/2011	12/01/11	1	42	Delinquent
1/2012	12/01/11	2	42	Delinquent
2/2012	12/01/11	3	42	Delinquent
3/2012	02/01/12	2	42	Delinquent
4/2012	04/01/12	1	42	Delinquent

Performance Period – October 2011 through March 2012.

Default was reported prior to the modification incentive claim.

Redefault Calculation Example 2

In the example below, this case would score a 0% because there was no default reporting 90 days prior to the loan modification claim process date.

Form Type	Date Received	Date Prepared	Date Processed	Claim Type
A	09/20/11	09/20/11	09/21/11	32 - Loan Modification

Date processed event triggered evaluation; You can see it here.

1/2011	11/01/10	3	98	Reinstated After Loss Mitigation Intervent
12/2011	12/01/11	1	42	Delinquent
1/2012	12/01/11	2	42	Delinquent
2/2012	03/01/12	0	20	Reinstated by Mortgagor w/o Loss Mitigation Claim

Performance Period – October 2011 through March 2012; however, no reporting for July, August, or September 2011 cycles.

Element: SFDMS Reporting

Evaluates a servicer's compliance with default reporting policy and regulations. This will increase the accuracy of SFDMS reporting and help the servicer should it become necessary to file a claim with HUD.

SCORING STRUCTURE

Of course, the goal for SFDMS reporting is and should be 100% with no fatal errors or neglected defaults (i.e. missed reporting). Fatal error rates and their corresponding scores have been established based upon what we have determined to be within tolerable ranges. Neglected default rates are the pure rate with no predetermined ranges. However, keep in mind that just because your score is an "A", any fatal error or missed reporting may be considered as a violation of our regulations.

DATA SOURCE

Reporting into the Single Family Default Monitoring System (SFDMS) and a servicer's total current delinquencies as determined based on the business rules in Neighborhood Watch. This may be downloaded monthly by the servicer, if self-monitoring. See [Appendix B](#) for more information on the Neighborhood Watch business rules.



If a subservicer is responsible for your company's default reporting into the Single Family Default Monitoring System, that subservicer should be reporting under your ID. This is because the servicer of record for a case is the entity that is scored.

POLICY BASIS FOR ELEMENT

24 CFR 203.331 (c) states that a servicer is to report to HUD all mortgages that were in default on the last day of the month, or that were reported as in default the previous month.

HUD's ability to properly evaluate the status of its portfolio, report to congress, establish a budget, and evaluate policy effectiveness and potential policy changes is dependent upon compliant default reporting.

BENCHMARKS

Grades are assigned based upon a 10-point scale, which is derived from the calculated score.

Fatal Error Percentage Range	Reporting Occurrences	Neglected Reporting	Calculated Grade	Assigned Grade
0.00% - 2.00%	>0	0.00%	90% - 100%	A
2.01% - 4.00%	>0	0.00%	80% - 89%	B
4.01% - 6.00%	>0	0.00%	70% - 79%	C
6.01% - 8.00%	>0	0.00%	60% - 69%	D
8.01% or more	>0	0.00%	59% or Less	F

SUGGESTIONS TO INCREASE THE SCORE

- ✓ Attend our three-part webinar series on SFDMS reporting and read our [Training Webinars Companion Document](#).
- ✓ Self-monitor and calculate this yourself. You can obtain the data from Neighborhood Watch every month, but keep in mind that historical data for many reports is not available as it is overwritten each month.
- ✓ Do not fail to report.
- ✓ Report on all open defaults.
- ✓ Reconcile your outstanding defaults to Neighborhood Watch records. See [Appendix B](#) for more information on the Neighborhood Watch records.
- ✓ If you utilize a subservicer who does your default reporting for you and you are the servicer of record, then make sure the subservicer is reporting under your ID.
- ✓ File MRCs timely and correctly.
- ✓ Report corrections immediately before the cycle closes. A higher number of reporting occurrences will increase the denominator when calculating the fatal error rate and will lessen the impact of the fatal errors.
- ✓ If you are not receiving the error report directly from EDI, make sure you start. If you receive a report from your vendor or service provider, make sure you verify

the accuracy of what they are telling you. You can also find your error report in FHA Connection, Single Family FHA, Single Family Servicing, Delinquent Loans, and then Application Advice Notices.

- ✓ Report manually in FHA Connection.
- ✓ Make corrections to your system to stop the fatal error issue.
- ✓ Do not report on terminated or uninsured loans.



Please note that corrections will not cancel out the fatal error. Additionally, not all fatal errors can be corrected. Sometimes, the only way to correct a fatal error is to stop reporting.

HOW TO CALCULATE SFDMS REPORTING

Data Needed

You will need the numbers detailed below. You can get these from your own internal reports, from Neighborhood Watch, or a combination of these.

For more information on the Neighborhood Watch calculation methodology, see [Appendix B](#).

- ✓ The number of default reporting transactions/occurrences attributed to the default cycle being scored.
- ✓ The number of defaulted cases that are in your portfolio as of the end of the scoring month.
- ✓ The number of neglected defaults as of the end of the scoring month.

Step 1: Determine Your Total Default Reporting Counts – Total Reporting Occurrences & Total Fatal Errors

Reporting may have been through EDI, through FHA Connection, or both. All occurrences regardless of the default reporting method are included for these counts.

You may have these numbers from your own internal reports. Just keep in mind that this will show you what you reported on, which is not necessarily what was reported on

for cases for which you are the Servicer of Record. More on this at the end of this section in [Other Stuff to Know](#).

You can also pull this yourself out of Neighborhood Watch. Just keep in mind that this method shows you what you reported as a company, which is not necessarily what was reported on for cases for which you are the Servicer of Record. Again, more on this at the end of this section in [Other Stuff to Know](#).

You can also pull this from SFDART; however, as of now the case level is only updated quarterly, so keep that in mind.

To Pull from Neighborhood Watch:

The screenshot shows the 'Neighborhood Watch' EARLY WARNING SYSTEM interface. The 'Servicing' tab is selected. A dropdown menu is open, showing options: 'All Servicers', 'Single Servicer', 'Delinquent Reporting Servicer', 'Delinquent Reporting Case Level', and 'Level'. The 'Delinquent Reporting by Servicer' form is displayed. It has a 'Submit' button and a radio button selected for 'Type first few letters of the servicer's name or ID'. A text input field contains '99999'. Below this is a '--OR--' section with a radio button for 'Select a date to view all delinquent reporting for' and a date dropdown set to '-choose a date-'. To the right, another 'Delinquent Reporting by Servicer' form shows a 'Select From the List Below:' dropdown with 'ABC COMPANY - 99999' selected. A 'Submit' button is also present.

Choose transaction dates as appropriate and then click Submit. It will default to a rolling year.

This screenshot shows the 'Delinquent Reporting by Servicer' form with the 'Servicer' field set to 'ABC COMPANY - 99999'. The 'Date Range' section includes a link: '(low end of date is earliest date for which Delinquent Reporting cases exist)'. Below this, it says 'Date Ranges may be adjusted'. The 'Transaction Date' field is set to 'June 2009' and 'June 2010'. The 'Sort By' field is set to 'Creation Date' and 'Descending'. A 'Submit' button is visible.

A screen will come up that displays all the reporting events and their creation dates, the reporting method, the number of cases, and the types of fatal errors (and non-fatal errors which are not pictured below).

- ✓ Note that the case counts in the various columns are hyperlinks, so you can click on those and pull up a case level list.

- ✓ Also, note that the column headings are hyperlinks, so you can click on those for the column explanations.

Delinquent Reporting Query
Data as reported to SFDMS by ABC COMPANY(9999909999)
Between June 2016 and June 2017
Sort Order by Creation Date in Descending Order

Creation Date	Delinquent Reporting Method	Case Number Count	Total Fatal Errors	% Total Fatal Errors	Bad FHA Case Number	% of Bad FHA Case Number	Invalid Mortgage Status	% of Invalid Mortgage Status	Invalid Oldest Unpaid Installment Date	% of Invalid Oldest Unpaid Installment Date	Invalid Oldest Unpaid Installment Date Format	% of Invalid Oldest Unpaid Installment Date Format	Invalid Mortgage Status FHA Insurance Terminated	% of Invalid Mortgage Status FHA Insurance Terminated	Invalid Mortgage Status FHA Insurance Claim Terminated	% of Invalid Mortgage Status FHA Insurance Claim Terminated
06/01/17	EDI	2,151	3	0.14	0	0	0	0.09	0	0	0	0	0	0	1	0.05
05/09/17	FHA Connection	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
05/04/17	FHA Connection	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
05/03/17	FHA Connection	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
05/01/17	EDI	2,288	319	13.88	4	0.17	284	11.49	0	0	0	0	61	2.22	0	0
04/17/17	FHA Connection	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
04/08/17	FHA Connection	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
04/05/17	FHA Connection	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
04/03/17	EDI	1,888	8	0.42	0	0	0	0	0	0	0	0	3	0.16	6	0.26
03/31/17	FHA Connection	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0

- + Add together the number of cases listed under "Case Number Count" associated with the same default reporting cycle.
- + Add together all the fatal errors listed under "Total Fatal Errors" associated with the same default reporting cycle.



If you are unsure to which cycle a reporting occurrence was attributed, open the case level for the creation date, and look up a case under Queries, Case Status, and Scroll to the bottom to review the default reporting.

Creation Date	Delinquent Reporting Method	Case Number Count	Total Fatal Errors
05/07/12	FHA Connection	30	0
05/04/12	FHA Connection	34	0
05/03/12	FHA Connection	137	0
05/01/12	EDI	1480	29
04/16/12	FHA Connection	1	0
04/06/12	FHA Connection	61	0

Total Reporting Occurrences & Total Fatal Errors Example

The April 2012 reporting cycle fatal error rate for this servicer would be 1.72%.

+ 1,682 Total Reporting Occurrence Case Number Count, which is 30+34+137+1,480+1 for the creation dates of 4/16/2012 – 5/7/2012.

+ 29 Total Fatal Errors.

= 29/1,682 is 1.72%.

Step 2: Determine Your Number of Delinquent Cases

You may have these numbers from your own internal reports or metrics. Just keep in mind that this includes everything for which you are the Servicer of Record, regardless of who reported on it last and when. See [Appendix B: Neighborhood Watch](#) for more information on the business rules behind these metrics.

You can also pull this yourself out of Neighborhood Watch. Again, just keep in mind that this includes everything for which you are the Servicer of Record, regardless of who reported on it last and when. See [Appendix B: Neighborhood Watch](#) for more information on the business rules behind these metrics.

You can also pull this from SFDART; however, as of now these numbers including case level are only updated quarterly, so keep that in mind.

To Pull from Neighborhood Watch:

Navigate to the Single Servicer screen in Neighborhood Watch.

The image displays three overlapping screenshots of the Neighborhood Watch Early Warning System interface. The first screenshot shows the main menu with the 'Servicing' tab selected and the 'Single Servicer' option highlighted. The second screenshot shows the 'EARLY WARNINGS -- SINGLE SERVICER' screen with a text input field containing '99999'. The third screenshot shows the same screen with a dropdown menu open, displaying a list of lenders, with 'ABC COMPANY - 99999 - ANYWHERE - USA' selected.

Choose Loss Mitigation – Delinquent Loans Reported option by clicking on it. Make sure records between 1 and 9999999 is selected for the total delinquent loans. Then click the Submit button.

EARLY WARNINGS -- SINGLE SERVICER

Servicer: ABC COMPANY - 99999
Focus Area: United States

Options:

- Portfolio Summary
- Portfolio Summary by Originator
- Loss Mitigation -- Delinquent Loans Reported**
- Loss Mitigation -- Incentive Claims Paid

Submit

Output Options:

Show only records between 1 and 9999999 total delinquent loans
between 0 and 9999999 forbearance actions
between 0 and 9999999 % seriously delinquent loans

Show Data For: Servicer Nationwide
Sort By: Total Delinquent Loans Descending

Find the Total Delinquent Loans as of the current month column.

+ This is the number you need for Step 2.

The number in this column is a hyperlink. If you need FHA case level data to reconcile your records, you can obtain this by clicking on the hyperlink and downloading the report into Excel.

Neighborhood Watch EARLY WARNING SYSTEM

US Department of Housing and Urban Development

Early Warnings Servicing Analysis Details Queries Reporting Help/About Home

ABC COMPANY - 99999
Loss Mitigation -- Total Delinquent Loans Reported in the United States

Sort Order by Total Delinquent Loans as of 05/31/2010 in Descending Order
Data shown includes all single family loans as of May 31, 2010

Rank	United States	30 Days Delinquent	60 Days Delinquent	Seriously Delinquent Loans	% Seriously Delinquent Loans	Total Delinquent Loans as of 05/31/2010	Forbearance Actions	Loan Modification Actions	Partial Claims Actions	FHA - HAMP Actions	Deed-in-Lieu Actions	Pre-Foreclosure Actions	Ineligible for Loss Mitigation
1	United States	5,839	810	2,801	29%	9,450	431	44	50	2	0	3	0

Displaying records 1 to 1 out of a total number of 1 records
[Download this report to an Excel file \[Help\]](#)



You will need to do this each month as previous months' data are not readily available for this report.

Step 3: Determine Your Number of Neglected Defaults

You can pull this yourself out of Neighborhood Watch. Please see [Appendix C](#) for more information.

You can also pull this from SFDART; however, as of now the case level is only updated quarterly. Reconciling this case level list to Neighborhood Watch is recommended.

*NOTE: In the next several months, we may be updating our neglected defaults data pull to include any cases with a SFDMS termination code as the last code reported but for which the insurance remains active after two months. **You've been warned.***



For example, SFDMS status code 17 is reported for the June 2017 cycle. This would not get counted for the July 2017 scoring month as neglected, nor would it be counted for the August 2017 scoring month as neglected. It would be counted for the September 2017 scoring month if the insurance remains active.

What's a neglected default?

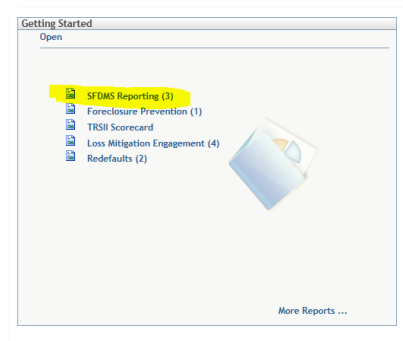
Neglected defaults are a term that we came up with to describe those cases for which a code requiring additional reporting was reported to HUD the previous month or earlier and no subsequent reporting was received for the current cycle.

Said another way, you told us it was delinquent and then neglected to tell us anything else.

Referring to 24 CFR 203.331(c), if you miss a month of reporting on a case previously reported as in default, you are not in compliance with the Code of Federal Regulations for that case.

How do I determine if I have any neglected defaults?

If you are already receiving scorecards, review the SFDMS Reporting element detail in SFDART:



You will see something like this in the system. This was downloaded into Excel and formatted a little, so it looks a little different then what you can see.

If you have numbers in this column, you have had neglected defaults.

Servicer	FY Quarter	Month	(A) # of Current Defaults From NW	(B) # of Reporting Occurrences	(C) # of Fatal Errors	(D) Defaults with Neglected Reporting	(E) = (D/A) Neglected Rate	(F) = (C/B) Fatal Error Rate	(G) Fatal Error Earned Score 1- (F*5)	Assessed Score if (B) contains no data, then the score is 0.00% otherwise (G-E)
ABC MORTGAGE - 99999	Q1	Oct	4,679	4,959	52	798	17.05%	1.05%	94.76%	77.70%
ABC MORTGAGE - 99999	Q1	Nov	4,846	4,981	39	446	9.20%	0.78%	96.09%	86.88%
ABC MORTGAGE - 99999	Q1	Dec	4,477	5,684	7	6	0.13%	0.12%	99.38%	99.25%
ABC MORTGAGE - 99999	Q1		4,667	5,208	33	417	8.93%	0.63%	96.86%	87.94%

You can click on your case level tab and see case level behind those numbers.

FY2017 Monthly Scores	FY2017 Q1 Case Level	FY2016 Monthly Scores
<p>HUD's National Servicing Center</p> <p>TRSII SFDMS Reporting FY2017</p>		

You will then see something like this in the system, and again, this was downloaded into Excel and formatted a little.

The Default Cycle Date tells you the last cycle we had reporting on this case.

Servicer ID	Servicer	FHA Case #	Scoring Element	Evaluation Date	Default Cycle Date	Default Status Code	Months Past Due
99999	ABC MORTGAGE - 99999	012-3456789	Neglected_Defaults	12/31/2016	10/31/2016	42	1
99999	ABC MORTGAGE - 99999	987-6543210	Neglected_Defaults	12/31/2016	09/30/2002	42	1
99999	ABC MORTGAGE - 99999	999-9999999	Neglected_Defaults	12/31/2016	07/31/2016	42	1
99999	ABC MORTGAGE - 99999	888-8888888	Neglected_Defaults	12/31/2016	11/30/2016	42	0
99999	ABC MORTGAGE - 99999	777-7777777	Neglected_Defaults	12/31/2016	10/31/2016	42	1

Step 4: Calculate the Total Score

Calculate the Neglected Rate.

- + Start with the number of Neglected Defaults from Part 3.
- ÷ Divide that by the total number of Current Defaults from Part 2.
- = This is the Neglected Rate.

Calculate the Fatal Error Earned Score.

- + Start with the number of Fatal Errors from Part 1.

- ÷ Divide that by the total number of Current Defaults from Part 2.
- = This is the Fatal Error Rate.
- X Multiply this by 5.
- Subtract this from 1.
- = This is the Fatal Error Earned Score

Calculate the Assessed Score.

- ✓ If the Total Case Number Count is equal to zero, i.e. no reporting occurred for that default cycle under your Servicer ID, the score is automatically 0.00%.

Otherwise, do the following to determine the final score:

- + Fatal Error Earned Score
- Neglected Rate
- = The Assessed Score

All months' scores are averaged for the quarter.

Other Stuff to Know

We are presently exploring options for enhancements to the SFDMS system, which include the possibility of adding some different fatal errors. All of them have been presented to you over time as possible warnings. If and when we are able to implement them, we will make announcements and update this narrative. Additionally, we will advise as to when they will impact your score. These include entities not related to the loan in our records reporting on a case and the promotion of some non-fatal errors to fatal errors, such as reporting future default status dates, failing to report an occupancy status or default reason, and reporting \$0 or no unpaid principal balance.

Element: Loss Mitigation Engagement

This element measures the servicer's formal and informal loss mitigation engagement as well as indirectly measures early engagement in loss mitigation.

The calculation is like the Tier Ranking System (TRS) calculation in that a workout ratio is calculated. However, it is different in that:

- ✓ It evaluates the formalized loss mitigation actions that result in incentive claims through the work-out ratio by counting all claim actions regardless if it is a multiple event or not.
- ✓ It evaluates the attempts a servicer is making to solicit and engage the borrower in loss mitigation through a reported engagement rate, so default reporting and the servicer's delinquent portfolio totals play a role.
- ✓ Scores are assessed monthly and then averaged for a quarterly score.

SCORING STRUCTURE

This score is comprised of two pieces, which have different weights:

25%: The Work-Out Ratio (WOR), which measures the rate at which the servicer is successful in completing actions that mitigate losses to the insurance fund (i.e. home retention loss mitigation claims, non-incentivized modifications, and termination claims that are not the result of a foreclosure conveyance). A servicer cannot achieve an "A" overall in this element without filing claims*.

75%: The Reported Engagement Ratio (RER) which measures the rate at which a servicer is reporting engagement in loss mitigation in comparison to its seriously delinquent portfolio. We have determined that a successful servicer will report overall engagement actions to its seriously delinquent portfolio at a rate of 50%.

**Exceptions are made for smaller servicers and for housing finance agencies.*

DATA SOURCE

Loss Mitigation Incentive Claims, Insurance Termination Claims, and Seriously Delinquent Loans and SFDMS Reporting as summarized in Neighborhood Watch.

POLICY BASIS FOR ELEMENT

24 CFR 203.501 states that servicers must take those appropriate actions which can reasonably be expected to generate the smallest financial loss to the Department. Such actions include, but are not limited to, deeds in lieu of foreclosure, pre-foreclosure sales, partial claims, special forbearance, and mortgage modifications.

24 CFR 203.605 states that before four full monthly installments are past due, servicers must evaluate monthly all the loss mitigation options to determine which is appropriate and take the appropriate loss mitigation action.

Historically, HUD has used a work-out ratio to evaluate CFR compliance. The work-out ratio presents the rate at which incentive claims for loss mitigation actions are paid as compared to all claims paid for insurance benefits. The higher the work-out ratio, the more effective the servicer has been in facilitating a detour for a case on a foreclosure path.

While this is still an important rate, it is not the only gauge we have of servicers' compliance with the CFR in engaging in loss mitigation. Those attempted actions that are reported through SFDMS are also important and must be evaluated as well.

BENCHMARKS

Grades are assigned based upon a 10-point scale.

Loss Mitigation Engagement Average Score %	Assigned Grade
90% -100%	A
80% -89%	B
70% -79%	C
60% - 69%	D
Less than 60%	F

SUGGESTIONS TO INCREASE THE SCORE

- ✓ File more loss mitigation incentive claims. Claims are counted individually and not on a one-count-per-case basis.
- ✓ Reconcile outstanding defaults to Neighborhood Watch records. See [Appendix B](#) for more information on the Neighborhood Watch business rules.

- ✓ Engage in more loss mitigation activity, and report it in SFDMS.
- ✓ Engage in more early loss mitigation activity (i.e. when the loan is 30 and 60 days down), and report it in SFDMS. This will increase the numerator and increase the ratio results.

HOW TO CALCULATE LOSS MITIGATION ENGAGEMENT

Step 1: Calculate the Claims Work-Out Ratio (WOR)

Determine your total number of completed actions that mitigated losses for the insurance fund that occurred during the scoring month. We consider the action as completed during the scoring month if the claim was processed in our system during the scoring month. These include the following:

- + Special Forbearances (SF)
- + Mortgage Modifications (MM) – Standard as well as FHA-HAMP ^{(1) (2)}
- + Non-incentivized mortgage modifications (NIMM) ^{(3) (4) (5)}
- + FHA-HAMP Partial Claim (PC) ⁽¹⁾
- + Pre-foreclosure sale (PFS)
- + Deed-in-lieu (DIL).
- + Accelerated claim dispositions (ACD) ⁽⁶⁾
- + Claims without conveyance of title (CWCOT)
- = This total number is your numerator. We'll call it A.

NOTES:

- (1) Combo FHA-HAMPs and combo non FHA-HAMPs are counted individually as mortgage modifications and partial claims.
- (2) Standard modifications are also counted as they may still occur outside the waterfall for Presidentially Declared Disaster Areas and for COVID-19.
- (3) Non-incentivized mortgage modifications utilize the new first installment date instead of the claims process date to determine for which month credit will be received. Make sure you enter these timely as only those modifications entered before the new first installment date are counted.
- (4) Non-incentivized mortgage modification credit goes to the current servicer of record instead of the servicer submitting the claim.
- (5) If a non-incentivized mortgage modification case number and first installment date are the same as an incentivized mortgage modification, the non-incentivized case will not be counted.
- (6) ACD claims are also known as Asset Note Sale claims, Note Sale claims, Assignment claims, DASP claims, and maybe some others.

Next determine your total number of foreclosure conveyance claims processed during the scoring month. You need this number for your denominator. We'll call it B.

- + Start with A (completed actions that mitigated losses for the insurance fund).

- ÷ Divide by A (completed actions that mitigated losses for the insurance fund) plus B (total number of foreclosure conveyance claims).
- = The result is your pure Work-Out Ratio.

Step 2: Calculate the Reported Engagement Ratio (RER)

Determine your Seriously Delinquent Loan count as of the current month.

Determine your Loss Mitigation Reported Actions. For these purposes, we consider the following to be reported engagement type actions:

- ★ Borrower Financials Under Review (AA, AH)
- ★ Forbearance Actions (06, 08, 09, 11, 12, 32, 78)
- ★ Loan Modification Actions (28)
- ★ Partial Claim Actions (10)
- ★ Combination Partial Claim/Modification (53) – *New for FY2020 Q4*
- ★ FHA HAMP Actions (36, 37, 39, 41)
- ★ Deed-in-Lieu Actions (44)
- ★ Pre-Foreclosure Actions (15)
- ★ Loss Mitigation Option Failure (AQ)
- ★ Ineligible for Loss Mitigation (AO, AP)
- ★ HUD Foreclosure Moratorium (AS)

We use the calculation methodology that Neighborhood Watch* uses, so you can pull your summary numbers and case level from that system if you would like. Just keep in mind that these reports in this system are overwritten monthly, so if you want to monitor your score, you need to make sure to get the data you need monthly after each system refresh. For more information on the calculation methodology, see [Appendix B](#).

Add together the following reported action counts:

- + Borrower Financials Under Review
- + Forbearance Actions
- + Loan Modification Actions
- + Partial Claim Actions
- + FHA-HAMP Actions
- + Deed-in-Lieu Actions
- + Pre-Foreclosure Sale Actions

- + Loss Mitigation Option Failure Actions
- + Ineligible for Loss Mitigation Actions divided by 2 (AO and AP count as half an action)
- ÷ Divide the reported actions by the Seriously Delinquent Loans total for the month.
- = This is the pure Reported Engagement Ratio.

Step 3: Calculate the Loss Mitigation Engagement Score

Work-Out Ratio Score

- ÷ Divide the pure Work-Out Ratio determined in Part 1 by 65%. If the results are greater than 100%, this piece of the score is 100% (i.e. the score cannot be more than 100%).
- X Multiply the result by 0.25.
- = This is the Work-Out Ratio Score.

Reported Engagement Score

- ÷ Divide the pure Reported Engagement Ratio determined in Part 2 by 50%. If the results are greater than 100%, the score is 100% (i.e. the score cannot be more than 100%)
- X Multiply the result by 0.75.
- = This is the Reported Engagement Score.

Add the Work-Out Ratio Score and the Reported Engagement Score for the total Loss Mitigation Engagement Score.



If there are no seriously delinquent loans for the month but there are reported actions for the month, the score for the month is automatically 100%.

Best Fit Option

The work-out ratio may be volatile if you are a smaller servicer or service mostly Housing Finance Agency (HFA) loans for which only certain loss mitigation actions can be utilized. For these servicers, we have the best fit option available, which we will automatically calculate for you.

- ✓ Smaller servicer – Those whose seriously delinquent portfolio for the month is 25 or less.
- ✓ Limited Loss Mitigation – 50% or more of the loans you service are those where the Holder of Record per our records is a Housing Finance Agency (HFA) for which we have waiver on file.

If either of these criteria is met, the score is calculated as best fit, which is the workout ratio score alone, the engagement ratio score alone, or the score calculated as described above, whichever is highest.

Extra Credit

TRAINING EXTRA CREDIT

- ✓ A servicer can receive extra credit added to their final fiscal year end score by attending, participating in, and/or completing delinquent servicing training.
- ✓ The maximum that can be earned for a fiscal year for training is 1.00%. This can be earned through any combination of the trainings detailed in the table below.

Please note that webinars regarding loan originations and other courses offered by the Home Ownership Centers or the FHA Resource Center do not count towards this unless specified below.

Type of Training	Extra Credit	Description
Live Training Event on Loss Mitigation	0.50%	Performed by NSC or at the HOC/Field Office during the FY.
Webinars <ul style="list-style-type: none"> ▪ NSC Servicing and Loss Mitigation Webinar Series ▪ Ad Hoc Live Events ▪ Special Webinars by the NSC ▪ SFDART Training for TRSII 	0.20% each	This is for online webinars including the webinar series overview of default servicing and loss mitigation as well as those dedicated to the roll-out of new programs and/or policy changes and updates. Training must be taken during the FY for credit.
HUD's EClass	0.50%	Online class that can be taken at the servicer's convenience and pace; all available modules must be completed for credit during the FY.

Information can be found on our training website:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/nsc/training

TRAINING EXTRA CREDIT STAFF ATTENDANCE/COMPLETION REQUIREMENTS

An appropriate number of the servicer's staff is required to attend, to participate in, and/or to complete the training.

- ✓ We recommend that at least 50% of a servicer's staff responsible for delinquent loan servicing, and, specifically those doing loss mitigation processing, complete all modules of HUD's EClass, when available. Re-taking this course annually can be very beneficial not only as a refresher but as continual learning as our policies

are updated. However, the servicer may need to determine what is appropriate for their company. At least one person must attend to qualify.

- ✓ Regarding the webinar series, not all webinars are appropriate for all staff, so it is also at the servicer's discretion what staff registers for and attends which webinar.
- ✓ The training must be received during the scoring fiscal year. For example, to get the extra credit added to the FY2021 end of year score, training must be completed between October 1, 2020, and September 30, 2021.

HOW TO RECEIVE THE TRAINING EXTRA CREDIT

To receive the extra credit, a servicer must send notice to NSC stating that the training was completed. This notice should include the following:

- ✓ The training that was completed from the list above.
- ✓ The date(s) of this training.
- ✓ The number of staff that attended, participated in, and/or completed this training.
- ✓ Notice can be submitted via email to sfdatarequests@hud.gov, with "TRSII Extra Credit" in the subject line.

You can send these individually after each training is completed or you can save it all up and send us one email with all the classes, attendance, and dates. Either way is fine with us.

Notice must be received by the NSC no later than October 31 to be added to the just concluded fiscal year's scores. For example, to receive the credit for FY2021 scoring, this notice must be received no later than October 31, 2021.

- ✓ Please send notice after training has occurred.
- ✓ Keep in mind, NSC can verify registered attendance.

ELECTRONIC ACCESS EXTRA CREDIT

A servicer can receive up to an additional 0.10% added to each quarter's final score by logging in and reviewing their scorecard in SFDART.

New for FY17 Q3, this is a calculation of the number of registered users that logged in during the quarter divided by the total number of registered users in SFDART.

For example, if you have 10 registered users and 5 log in to review scores and case level during Q3 (which at the very least you would be reviewing Q2 scores and data during Q3), you will receive 0.05% for Q3 electronic access extra credit.

+ 5 users logged into SFDART to view scores and/or download case level

÷ 10 total registered SFDART users for your company

= 50% of your registered users logged into the system

X 0.10% total available points

= **0.05%** electronic access extra credit points added to your quarter end score

We will determine these points and add it to your score accordingly.

Appendix A: Where to Find Your Data

(besides SFDART)

ELEMENT 1: FORECLOSURE PREVENTION

Your servicing histories + your SFDMS reporting

- ✓ Look for loans that had a new first legal action. Determine their occupancy status as well as the number of months delinquent as of the reported 68.
- ✓ Determine what intervention activities occurred prior to the report 68 since the last time the loan was current (repayment plans, special forbearances, ineligible for loss mitigation, etc.).

ELEMENT 2: REDEFAULTS

FHA Connection + your servicing histories

- ✓ To obtain a list of claims for a date range, go to FHA Connection, Single Family FHA, Single Family Servicing, Claims Processing, Claim Status.
- ✓ Compare the list to your own servicing history and/or your default reporting to determine if the loan went 90 days down or more again with 6 months from the claim processed date.

ELEMENT 3: SFDMS REPORTING

FHA Connection + Neighborhood Watch

- ✓ To receive a list of your fatal errors and to work the list prior to the close of the reporting window, go to Single Family FHA, Single Family Servicing, Delinquent Loans, and then Application Advice Notices and enter the 10 digit HUD Lender ID under which you reported.
- ✓ Delinquent Reporting Query
- ✓ Loss Mitigation – Delinquent Loans Reported (do monthly)

ELEMENT 4: LOSS MITIGATION ENGAGEMENT

FHA Connection and Neighborhood Watch

- ✓ For the work-out ratio, to obtain a list of claims for a date range, go to FHA Connection, Single Family FHA, Single Family Servicing, Claims Processing, Claim Status.
- ✓ Loss Mitigation – Delinquent Loans Reported from Neighborhood Watch (do monthly)

Appendix B: Neighborhood Watch

***AS REFLECTED IN NEIGHBORHOOD WATCH**

This is asterisked in several places throughout this narrative. Please note that we may utilize another HUD system or report produced by HUD with comparable calculation methodologies and business rules to Neighborhood Watch to determine a servicer's seriously delinquent portfolio should the need arise.

ABOUT NEIGHBORHOOD WATCH

The Neighborhood Watch system does not belong to the National Servicing Center. It belongs to the Quality Assurance Division (QAD). As such, we don't have any control over performance of that system, timing of refreshes, the ability to extract more data than you can, or the ability to extract any more historical data than you can. We are just another end user and can see and do what you can. We can just do it for all servicers.

We chose to use Neighborhood Watch as the basis for various data sets in these metrics since the case level and information was already readily available to servicers.

Neighborhood Watch is not a real-time system for a lot of the data points. Please keep that in mind. It is also a different system than FHA Connection. Keep that in mind, too.

If you are having issues with Neighborhood Watch, you need to call the FHA Resource Center at 1800CALLFHA.

NEIGHBORHOOD WATCH RULES

Neighborhood Watch utilizes some specific rules when it determines some basic numbers about your portfolio, especially your delinquent portfolio.

To be counted in most of its metrics, a case must meet the following criteria:

- ☒ Endorsed for FHA insurance, and
- ☒ Active as of the end of the month.

When it comes to default reporting and categorizing the status and the delinquency of the case, please note the following:

- ✓ It is based on the last reported and accepted SFDMS reporting occurrence as of that month.

Whether it was last reported on 2 years ago or last month, it classifies the case based upon that reporting.

Because of this, it is very important to work your neglected defaults.

- ✓ Last-in-wins. Regardless if multiple codes were reported into the system over the course of the month, only that very last status reported and accepted into our system is the one that is categorized as the status of that case. This way we end up with only one count per case in the various metrics in that system.

NEIGHBORHOOD WATCH DATA TO DOWNLOAD

Loss Mitigation – Delinquent Loans Reported

This report can be found under the menu option for Servicing, Single Servicer. This data is overwritten monthly, so once the refresh occurs, you cannot obtain the previous month's data. The next scheduled refresh will be listed under the Help/About menu, Latest Refresh Date.

Data shown here is used in the following ways:

The summary data for seriously delinquent loan counts is used as a factor to determine if a servicer is a Public Scorer, Public Provisional Scorer, or Private Scorer.

- ✓ The summary data for total delinquent loan counts is used in SFDMS Reporting calculations.
- ✓ The case level data for total delinquent loans is used for SFDMS Reporting neglected defaults.
- ✓ The summary data is used in Loss Mitigation Engagement calculations.

Monthly To-Do's After Refresh:

- ☐ Download the summary report.
- ☐ Download the total delinquent loans case level.
- ☐ Download any other case level to which you wish to reconcile.

Delinquent Reporting Query

This report can be found under the menu option for Servicing, Delinquent Reporting Servicer. The system stores a rolling 12 months and will be updated with the most recent cycle as part of the scheduled system refresh. The next scheduled refresh will be listed under the Help/About menu, Latest Refresh Date.

Data shown here is used in the following ways:

- ☒ The summary data (case number count and total fatal errors) is used in SFDMS Reporting calculations.
- ☒ Add reporting results together for all creation dates that apply to a specific SFDMS cycle.

Monthly To-Do's After Refresh:

- ☐ Download the summary report.
- ☐ Download any case level to which you wish to reconcile.

Appendix C: Neglected Defaults

What's a neglected default?

Neglected defaults are a term that we came up with to describe those cases for which a code requiring additional reporting was reported to HUD the previous month or earlier and no subsequent reporting was received for the current cycle.

Said another way, you told us it was in default and then neglected to tell us anything else.

Referring to 24 CFR 203.331(c), if you miss a month of reporting on a case previously reported as in default, you are not in compliance with the Code of Federal Regulations for that case.

How does a neglected default happen?

Once a servicer begins reporting a case as in default in HUD's Single Family Default Monitoring System (SFDMS), the case must be reported every month until HUD receives a code from the servicer indicating that the default has been resolved. If we don't get anything indicating the default has been resolved, it's a neglected default.

Sometimes the current servicer neglects to update reporting for whatever reason. Sometimes a case transfers over that the current servicer was unaware that the prior servicer reported as in default.

Either way, it is the responsibility of the current Servicer of Record to update default reporting. If resolution has occurred, report that and stop reporting. If resolution has not occurred, start reporting applicable SFDMS codes as soon as possible and make sure that these are getting picked up in your month end reporting.

What is resolution?

There are two possible outcomes to a default episode: 1) Reinstatement or 2) Termination.

- 1) The loan has reinstated. Once HUD receives a code indicating the loan has reinstated, no more SFDMS reporting is required for that loan unless it should become delinquent again later.

If the case goes into default again, you will need to report a status code 42 first to open a new default episode.

Account Reinstated Codes (Default Summary Code AR)

- ☒ *Reinstated by Mortgagor Who Retains Homeownership w/o LM Incentive (20)*
- ☒ *Reinstated by Assumptor (21)*
- ☒ *Reinstated after Loss Mitigation Intervention (98)*

- 2) FHA insurance has terminated. The termination has been reported in SFDMS, and the FHA insurance itself has been terminated either automatically with a claim processing or manually with a Mortgage Record Change (MRC). Once HUD receives one of these codes, no more SFDMS reporting is required for that loan.

If you find that you do need to continue reporting, the last status code reported should be cancelled by reporting a status code Cancel (25) and then immediately followed by the correct code. You can only do this effectively if the insurance is still active.

Claim Termination Codes (Default Summary Code CT)

- ☒ *Preforeclosure Sale Completed (17)*
- ☒ *Deed-in-Lieu Completed & Property Conveyed (47)*
- ☒ *Property Conveyed to Insurer (46)*
- ☒ *Claim without Conveyance of Title (48)*
- ☒ *Assignment Completed (49)*

Non-Claim Termination Codes (Default Summary Code NC)

- ☒ *Paid in Full (13)*
- ☒ *Charge-Off (29)*
- ☒ *Third Party Sale (30)*
- ☒ *Property Redeemed (73)*

If resolution occurred a while back, make sure you the default status date reflects the most accurate date possible for that resolution occurrence. If the case was transferred over as current and you don't know the actual reinstatement date, report the transfer date as the default status date. Just make sure the OUI reflects that the case is current as of today.

Status Code Cancel (25)

When this code is reported, another status code **must** be reported immediately after the 25. If a 25 is the last code reported, this is a neglected default as well.

If you are attempting to cancel an entire episode opened in error, and that entire episode consists of only one 42 status code, please do the following: Report a 25, then a 42, then a 20. This may look odd, but this will alert us to the episode having been opened in error and will make everything update correctly.

How to Pull Your List of Cases Requiring Further SFDMS Reporting

Servicers can pull a list of their Single Family FHA cases from Neighborhood Watch that requires further SFDMS reporting. Please be advised that at some point in this process, you may be prompted to log in. Questions about logins and access can be directed to sfadmin@hud.gov.

Also, keep in mind that Neighborhood Watch is updated around the 3rd week of every month with the previous month's reporting data.

NOTE: You can find the latest refresh date and the next anticipated refresh date under Help/About, Latest Refresh Date.

Neighborhood Watch classifies a case as an open default if

- ☒ The case is actively insured (insurance status is active), **and**
- ☒ The case was previously reported as defaulted (regardless of when this was), **and**
- ☒ The case was not reported as reinstated or non-claim terminated as of the most recent reporting occurrence.

Instructions to Download the Report

In Neighborhood Watch, go to Servicing, Single Servicer, type in your 5-digit HUD Lender ID, then hit Submit. Confirm the ID you selected, and click Submit.

Next you will see the different reports available for Early Warnings – Single Servicer.

Choose “Loss Mitigation – Delinquent Loans Reported”.

The “Show only records between” field should start with 1 on total delinquent loans.

Hit “Submit”.

The totals in each of the columns are hyperlinks

Click on these to bring up a list of cases for the specific data sets.

Rank	United States	30 Days Delinquent	60 Days Delinquent	Seriously Delinquent Loans	% Seriously Delinquent Loans	Total Delinquent Loans as of 06/30/2012	Forbearance Actions	Loan Modification Actions	Partial Claims Actions	FHA - HAAMP Actions	Deed-in-Lieu Actions	Pre-Foreclosure Actions
1	United States	3,208	549	3,208	61%	3,226	473	2	0	2	0	37

Make note of the date displayed as this is the cycle date for the data.

Then click on the hyperlink case count under "Total Delinquent Loans as of xx/xx/xxxx".

NOTE: EVEN IF THIS NUMBER IS MORE THAN 12,000, YOU CAN STILL PULL YOUR NEGLECTED DEFAULTS THIS WAY.

ABC COMPANY - 99999			
Loss Mitigation -- Total Delinquent Loans Reported in the United States			
Sort Order by Total Delinquent Loans as of 06/30/2012 in Descending Order			
Data shown includes all single family loans as of June 30, 2012			
Total Delinquent Loans as of 06/30/2012	Forbearance Actions	Loan Modification Actions	Partial Claims Actions
3,725	473	3	0

You will be prompted to choose Printing Format or Viewing Format. Either one will be fine.

Choose Sort By: "Delinquent Cycle Date," Ascending. Click Submit.

SERVICER CASES

Servicer: ABC COMPANY (99999) Submit

Area: United States

Report Options: ☒ Printing Format ☐ Viewing Format

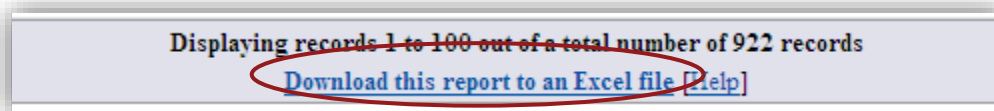
Sort By: Delinquent Cycle Date Ascending

- Case Number
- Loan Number
- Holder ID
- ADP Code
- Mortgage Amount
- Interest Rate
- Borrower Name
- SSN/ITIN Number
- Street Address
- City
- State
- Zip
- Ins Status (A43)
- Closing Date
- Endorse Date
- First Payment Date
- Oldest Unpaid Installment
- Delinquent Cycle Date
- Delinquent Status Date
- Delinquent Status Code
- Delinquent Reason Code
- Unpaid Balance
- Foreclosure Start Date
- Foreclosure Sale Date
- Occup. status

This will bring up a list of all actively insured, open delinquent loans that have been reported for your servicer id.

ABC COMPANY (99999)																					
Loss Mitigation - Seriously Delinquent Reported																					
All Seriously Delinquent -- United States																					
Sort Order by Borrower SSN/TIN Last Four Digits in Ascending Order																					
Data shown is for all Delinquencies Reported as of July 07, 2022																					
Case Number	Loan Number	Borrower ID	ADP Code	Maturity Date	Interest Rate	Reported Date	SSN/TIN Last Four Digits	Street Address	City	State	Zip	Ins. Status (AAU)	Current Delinquency Date	First Delinquency Date	Older Delinquency Date	Delinquency Cycle	Delinquency Status	Delinquency Reason Code	Unpaid Balance	Previous Delinquency Date	Current Delinquency Date
A	06 05 01	09 01 87	08 01 08	08 30 12	02 16 10	08	010	\$20,882.00												12 31 04	
	09 31 01	09 01 87	04 01 12	08 30 12	04 30 12	42	006	\$32,295.00													
	07 09 01	08 01 82	08 01 12	08 30 12	06 28 12	42	006	\$31,347.00													
	06 09 01	08 01 87	08 01 12	08 30 12	06 28 12	42	007	\$15,840.00													
	12 31 01	11 01 87	07 01 10	08 30 12	10 20 10	AD	030	\$28,137.00													
	08 14 01	07 01 87	03 01 08	08 30 12	06 27 08	66	007	\$21,128.00					06 30 08								
	01 29 01	09 01 84	09 01 11	08 30 12	02 15 11	69	030	\$35,000.00					10 31 08	07 31 09							
	04 20 01	11 01 87	12 01 11	08 30 12	03 05 12	AQ	007	\$20,200.00													
	12 27 01	02 01 90	05 01 08	08 30 12	04 28 09	68	010	\$44,437.00					04 30 09								
	04 30 01	06 01 86	06 01 12	08 30 12	05 31 11	42	030	\$6,478.00													
	03 24 01	04 01 87	02 01 12	08 30 12	06 29 12	AD	007	\$16,379.00													
	06 23 01	07 01 84	03 01 12	08 30 12	02 01 12	42	007	\$44,244.00													
	06 23 01	03 01 81	03 01 12	08 30 12	01 30 12	66	006	\$20,787.00													
	11 08 01	11 01 80	06 01 12	08 30 12	06 28 12	42	007	\$3,337.00													
	12 28 01	02 01 89	02 01 89	02 28 89	02 28 89	42	010	\$88,780.00													
	08 27 01	10 01 86	10 01 08	10 31 08	10 31 08	42	010	\$17,413.00													
	10 15 01	12 01 90	06 01 12	08 30 12	05 31 12	42	030	\$45,402.00													
	01 18 01	03 01 84	03 01 12	08 30 12	04 30 12	42	030	\$26,855.00													
	12 29 01	02 01 84	06 01 09	08 30 12	07 13 10	77	007	\$14,821.00					10 31 09	07 31 10							
	07 14 01	09 01 86	02 01 11	08 30 12	04 24 12	AD	007	\$14,218.00													
07 12 01	09 01 88	04 01 12	08 30 12	02 28 12	42	007	\$23,892.00														
ALBUQUERQUE, NM 87106																					

Download this report to Excel. If the total is more than 12,000, only 12,000 records will download. This is OK.



How to Work This Report

Remember the report criteria.

- ✓ The case is actively insured (insurance status is active), **and**
- ✓ The case was previously reported as defaulted (regardless of when this was), **and**
- ✓ The case was not reported as reinstated or non-claim terminated as of the most recent reporting occurrence.

Based on this report criteria:

- + Start with the total list or the list of 12,000 records, whichever applies to your situation.
- Delete any cases where the delinquent cycle date is the same as the data as of date (i.e. the current default reporting cycle). This means you reported on these cases correctly for the current cycle.

- After doing that, delete any cases where the default status code is 20, 21, or 98.
- Next find any cases where the default status code is a 17, 46, 47, 48, 49, 13, 29, 30, or 73. Pull these aside. These will be counted as neglected defaults after 2 cycles at some point in the future, so you may want to work on these now.
- = What remains are your neglected defaults.

What Is Not on This Report That May Be Counted as a Neglected Default

0-month delinquencies.

If you or a prior servicer reported on a case that was not a full 30 days past due at the time you reported it, this is a 0-month delinquency. This occurs when you early report, something we highly discourage and something that is not in compliance with regulation and policy.

Neighborhood Watch only counts cases in the delinquent counts if the case is reported as at least one month (or 30 days) past due.

For example, you report a case due for 1/1/2017 with a status code 42 on 1/10/2017. This case is not 30 days past due, and you did not report during the reporting window for January 2017, which would have been the first five business days of February.

The system itself calculated the months past due based on

- ✓ The date you reported the case (transaction date or sometimes the creation date), **AND**
- ✓ The oldest unpaid installment you reported.

In this example, the case is 0 months in default. It is only 10 days delinquent at the time of reporting. Our system will accept these cases presently; in the future, we hope to have the programming updating to reject these as a fatal error. **You've been warned.**

Reporting Period	OUI Date	# Months Delinquent	Delinquent Status	Delinquent Status Definition
6/2016	06/01/16	1	42	Delinquent
7/2016	07/01/16	1	42	Delinquent
8/2016	08/01/16	1	42	Delinquent
11/2016	11/01/16	1	42	Delinquent
1/2017	01/01/17	0	42	Delinquent

Trans Date	Cycle Date	Oldest Unpaid Date	Months Delinq	Default Status Code	Default Status Date
01/10/2017	01/31/2017	01/01/2017	0	42	12/30/2016

If you have more neglected defaults than you can find using the data pull in Neighborhood Watch, you can check the Neglected Default case level in SFDART. You can also email sfdatarequests@hud.gov to check to see if you have any that need to be updated.

Appendix D: Servicing Transfers

TRSII is designed primarily to measure actions you are currently taking and not what has occurred. However, depending on the type of portfolio you are acquiring, a prior servicer may impact your score.

FORECLOSURE PREVENTION POTENTIAL IMPACTS

The servicer of record at the time the status code 68 is reported for the first time in a default episode gets the score.

- ✓ Evaluation and scoring for this element is triggered by the reporting of the first legal filing in SFDMS. While all actions before the 68 are evaluated, the current servicer of record can make sure that any loss mitigation actions were reported before initiating foreclosure and reporting it.
- ✓ Any negative impact on the score would occur when a new servicer purchases an extremely defaulted portfolio of loans for which no loss mitigation can be utilized and foreclosure is the only option.

THE IMPACT OF A PRIOR SERVICER ON THIS SCORE IS GENERALLY LOW.

REDEFAULTS POTENTIAL IMPACTS

- ✓ The score goes to the servicer that filed the incentive claim, regardless of who services it afterwards.

THE IMPACT OF A PRIOR SERVICER ON THIS SCORE IS EXTREMELY LOW TO NONE.

THERE CAN BE A REVERSE IMPACT OF A NEW SERVICER ON A PRIOR SERVICER, WHICH CAN RANGE ANYWHERE FROM NONE TO VERY HIGH, DEPENDING ON THEIR SERVICING AND DEFAULT REPORTING.

SFDMS REPORTING POTENTIAL IMPACTS

The current servicer of record is scored for the default reporting on the loans it presently services. However, there are a few things to keep in mind.

- ✓ If a prior servicer failed to address a fatal error issue and continued to report month after month and then transferred that issue to an unknowing new servicer, that new servicer could commit the same fatal error.

- ✓ A prior servicer may transfer an open default to a new servicer, and the new servicer may not be aware that the loan is in default. This will count against the new servicer as a neglected default if further reporting does not occur.

THE IMPACT OF A PRIOR SERVICER ON THIS SCORE IS GENERALLY VERY LOW OVERALL. HOWEVER, THE IMPACT COULD BE GREATER IF THE PRIOR SERVICER OPENED A LOT OF DEFAULT EPISODES AND EITHER FAILED TO UPDATE THEM PRIOR TO TRANSFER AND/OR FAILED TO NOTIFY THE NEW SERVICER OF THE OPEN DEFAULT. THIS CAN BE MITIGATED BY YOUR DUE DILIGENCE PROCESS AND COMMUNICATION WITH THE PRIOR SERVICER.

- ✓ If MRCs were not filed timely and/or correctly, issues can continue to impact the servicer of record.

THERE CAN BE A REVERSE IMPACT OF A NEW SERVICER ON A PRIOR SERVICER, WHICH CAN RANGE ANYWHERE FROM NONE TO VERY HIGH, DEPENDING ON THEIR DEFAULT REPORTING. THIS ALSO CAN BE MITIGATED BY ENSURING THAT THE MRCs ARE FILED TIMELY AND CORRECTLY.

LOSS MITIGATION ENGAGEMENT POTENTIAL IMPACTS

- ✓ The current servicer of record is scored for claims it files and default reporting of loss mitigation actions it does.
- ✓ If a new servicer is purchasing an extremely defaulted portfolio of loans that did not or will not qualify for loss mitigation and if foreclosure is inevitable on a lot of this portfolio, this can have a negative impact on the work-out ratio as well as the reported engagement ratio. For this reason, it is important that you expeditiously move these loans through the process to resolution, whatever that resolution is.
- ✓ Conversely, if the extremely default portfolio had little to no loss mitigation solicitation, this could have a positive impact on these same ratios as the new servicer engages in more loss mitigation and reports it and files claims.
- ✓ Additionally, if a prior servicer transfers seriously delinquent neglected defaults, this can also have a negative impact on the reported engagement ratio.

THE IMPACT OF A PRIOR SERVICER ON THIS SCORE IS MEDIUM IF A SIGNIFICANT NUMBER OF ALREADY SERIOUSLY DELINQUENT LOANS HAVE BEEN ACQUIRED. OTHERWISE, THE IMPACT IS GENERALLY LOW.

What can you do if you are acquiring a portfolio?

If you get permission of the selling servicer prior to the sale that allows HUD to release data to you on the cases in the portfolio, send an email to sfdatarequests@hud.gov requesting the ***Portfolio Transfers and Acquisitions Data Request Checklist***. In this checklist, we provide instructions on what we need from you and the Seller and the data that we can provide.

Appendix E: SFDART

****Under Construction****

Revision History

Section	Type	Effective	Summary
Who Will Be Scored	Addition	FY12 Q1	Procedure for opting out.
Who Will Be Scored	Change	FY12 Q1	Using quarter end snapshot data to determine delinquent portfolio size instead of averages over time.
Contact Information	Addition	FY12 Q1	Contact information that was in the announcement letters.
Foreclosure Prevention	Addition	FY12 Q1	Added trial payment plan (08) to List 2
Foreclosure Prevention	Change	FY12 Q1	Change to methodology (slight). Bonus point eliminated. Total points required to get a 100% is now 14. 1 point assessed for loss mitigation (formal and informal) and another point assessed for formal loss mitigation.
SFDMS Reporting	Addition	FY12 Q1	Subservicers should report under servicer of record ID in suggestions to increase score.
Loss Mitigation Engagement	Change	FY12 Q1	Change to methodology. Engagement rate is now engagement ratio measured ratio of reported actions divided by 90+ day defaults as opposed to reported actions divided by all defaults. Engagement ratio now has a benchmark of 50% and work-out ratio now has a benchmark of 65%. Both comprise the score with engagement ratio worth 75% of the score and the work-out ratio worth 25% of the score.
Who Will Be Scored	Change	FY12 Q2	Delinquent has been changed to seriously delinquent (i.e. 90 days down or more). Formal loss mitigation claims cannot be filed until the loan is down 90 days or more and since that is used in the scoring criteria, this should be changed.
Foreclosure Prevention	Change - Major	FY12 Q2	Methodology changed. There is a total of 100 available points for every first time in episode new first legal action (default status code 68) reported. Points can be earned as follows: <ul style="list-style-type: none"> • Sliding scale of points for the number of months delinquent • Sliding scale of points assessed if the loan was reported as non-borrower occupied • 5 points for each type of loss mitigation attempt reported in the default episode; limit of 3. • 5 points for an AO ineligible for foreclosure reported prior to the new first legal action. • Any loan found to be dual tracked automatically gets 0 points.
Appendices	Addition	FY12 Q2	Appendix A, B, & C based on feedback from webinar. Added Appendix D by removing the information from the narrative so it could be more easily referenced.
Reformatted entire document	Formatting	FY12 Q2	Rearranged how information was presented for clarity. Aldo included CFR & ML references were applicable.

Introduction	Addition	FY12 Q3	Added in clarification of holder versus servicer versus subservicer. Servicers may also request a breakdown of scores by holder.
Foreclosure Prevention	Update	FY12 Q3	Update to dual tracking calculation so looks at 2 cycles before the 68 and then either the same cycle or the cycle after to be considered as dual tracked. Previously looked at same cycle and one cycle before.
Loss Mitigation Engagement	Addition	FY12 Q3	Added in ACD and CWCOT to the work-out ratio calculation.
Extra Credit	Addition	FY12 Q3	Servicers can now count participation in NSC webinar series as well as live events as well as EClass. Staff attendance should be appropriate and is at servicer discretion. Added in extra credit for going paperless.
Appendix E	Addition	FY12 Q3	Included NSC's SOP for reconciling open defaults that require further SFDMS reporting.
Who Will Be Scored	Addition	FY12 Q4	Lender approval status must be active. If FHA has revoked your origination rights, you are not eligible to be scored on your delinquent portfolio.
Contact Information & Extra Credit	Change	FY12 Q4	All distribution of scores will be electronic unless we are unable to contact you electronically.
End of Proposed Pilot Period			
Foreclosure Prevention	Level 3	FY13 Q1	Changed references of dual tracking to inappropriate initiation of foreclosure.
SFDMS Reporting	Level 2	FY13 Q1	Changed assessment calculation of reporting occurrences less than current defaults to actual case level counts of neglected defaults, which is fairer to the servicer as servicers are now not penalized for reconveyances in this calculation.
Introduction	Level 1	FY13 Q1	Added in appeals section.
Entire Document	Level 1	FY13 Q2	Renamed TRSII.
Introduction	Level 1	FY13 Q2	Added in Scores, Grades & Tiers.
Introduction	Level 1	FY13 Q2	Added in example of scorecard notice.
Introduction	Level 1	FY13 Q2	Updated increased incentives section.
Foreclosure Prevention	Level 1	FY13 Q3	Updated points available, assessment structure, and new codes for which points can be incurred. Points structure is retroactive.
Foreclosure Prevention	Level 2	FY13 Q3	Updated inappropriate initiation to include new codes.
Redefaults	Level 1	FY13 Q3	Added evaluation of non-incentivized loan modifications beginning with Q3. Also removed criteria for timely reporting for partial claims for which no incentive was claimed.
Redefaults	Level 3	FY13 Q3	Updated codes that can trigger no points during the 6-month evaluation period to include the new foreclosure codes.
Loss Mitigation Engagement	Level 3	FY13 Q3	Non-incentivized mortgage modifications counted in the work-out ratio. New SFDMS codes included in the Reported Engagement Ratio.

Extra Credit	Level 1	FY13 Q3	Realigned points that can be earned for training based on availability. This may or may not be only for FY13. Added in 2% extra credit criteria for FY13 only.
TRSII FY13 Used to Determine Calendar Year 2014 Increased Incentives			
Foreclosure Prevention	Level 2	FY14 Q1	Updated points available to be one assessment for all cases and different points available based on events and not once set of scoring for non-borrower occupied and another for occupied. Episode number greater than 1 earns points like a loss mit action.
Foreclosure Prevention	Level 2	FY14 Q1	Updated scoring to align with ML 2013-40. Inappropriate initiation during loss mitigation is now in accordance with that ML.
Foreclosure Prevention	Level 2	FY14 Q1	Scoring for early initiation realigned with ML 2013-40 and CFR.
Loss Mitigation Engagement	Level 2	FY14 Q1	Best fit option now available for those servicers with a portfolio comprised of 50% or more HFA loans for which we have a waiver on file for loss mitigation.
Extra credit	Level 3	FY14 Q1	Adjusted points available for webinars.
Appendix F: Servicing transfers	Level 1	FY14 Q1	Brand new appendix with information for those acquiring portfolios.
Introduction	Level 3	FY14 Q2	Clarified servicer who will be automatically opted out if did not qualify to score for all 12 months of the fiscal year.
Introduction	Level 3	FY14 Q3	Rearranged sections; added in increased incentives.
Extra Credit	Level 2	FY14 Q3	Updated what qualifies for extra credit for training and the points.
Foreclosure Prevention	Level 2	FY14 Q3	Updated the calculation to include additional SFDMS codes in evaluation per the Q1 notification.
Appendix E	Level 3	FY14 Q3	Clarified instructions for pulling Neglected Defaults from Neighborhood Watch.
Public Availability of Scores and Grades	Level 2	FY15 Q1	Scores have been made public as of FY14 Q4.
Loss Mitigation Engagement	Level 3	FY15 Q1	Clarification on scoring for the reported engagement ratio. No actual change to the metric.
FY2016 Began using SFDART to calculate and issue scores			
FY2017 Revamped Entire Narrative Document – Available with Q2 Scores; updated policy references to new Handbook 4000.1; level of change is not indicated for this update since I didn't want this document all highlighted up, but major or minor is noted below.			
Who Will Be Scored & Opt-Out Option	Minor	FY2017	Redefined servicer categories and opt-out option rules. This is mostly terminology and fundamentally nothing has changed.
SFDART System	Minor	FY2017	Addition to document.
Contact Information	Minor	FY2017	Included SFDART contact information.
Foreclosure Prevention	Major	FY2017	Removing partial claims reported 2014 and after for receiving credit.
Redefaults	Minor	FY2017	Accepted servicer challenge and incorporated a haiku.
SFDMS Reporting	Major	FY2017	Clarification added in about servicer of record and reporting servicer.

			Neglected defaults will include terminations in the short future.
Loss Mitigation Engagement	Major	FY2017	Reported Engagement Ratio will no longer count partial claim actions after FY2017 Q1.
Extra Credit	Minor	FY2017	Updated webinars listed.
Electronic Access Extra Credit	Major	FY2017	Paperless extra credit is going away and electronic access extra credit is getting implemented.
Appendices Updated	Major	FY2017	Streamlined and removed appendices no longer needed.
Appendix B	Major	FY2017	Provides information about Neighborhood Watch
Appendix C	Minor	FY2017	Revised neglected default instructions
Appendix D	Minor	FY2017	Updated servicing transfers with additional information.
Loss Mitigation Engagement	Major	FY2018	Reported Engagement Ratio included the partial claim actions again for FY2018 Q2 as well as included HUD foreclosure moratorium as a loss mitigation count beginning with FY2018 Q1.
Appendix E	Minor	FY2020	Added so SFDART and associated information has its own section; appendix is still under construction pending new go live with new contractor.
Foreclosure Prevention	Minor	FY2020 Q4	Included new default status code 53 as loss mitigation prior to a reported 68.
Redefaults	Major	FY2020	Beginning with Q3, allowed for specific scenarios of COVID-19 loss mitigation to have no impact on redefault score as long as reporting in compliance with policy.
Loss Mitigation Engagement	Minor	FY2020 Q4	Included new default status code 53 in loss mitigation engagement report engagement ratio calculation.
SFDMS Reporting	Minor	FY2020	General notice only of possible future changes with the IT Modernization and the SFDMS system.
FY2021 New SFDART contractor & platform transition November 2020			
Redefaults	Minor	FY2021	Incentive claims reported with an RFD of 31 unable to contact borrower will receive 0 points. Effective FY2021 Q1; previously effective FY2020, but discovered never finalized with contractor.